

Attachment 5.4

# KPMG Customer Engagement Report

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January 2020



# Customer Engagement Report

Shipper Roundtables - Future Planning  
for the Dampier to Bunbury Natural  
Gas Pipeline (2021 - 2025)

Final Report

December 2019

[kpmg.com.au](http://kpmg.com.au)





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# About This Report

Dampier Bunbury Pipeline (DBP), the owner and operator of the Dampier to Bunbury Natural Gas Pipeline (DBNGP), is part of the Australian Gas Infrastructure Group (AGIG). AGIG is in the process of planning future investment priorities and services for the DBNGP from 2021 through to 2025, as part of its Final Plan Access Arrangement.

AGIG has committed to leading practice stakeholder engagement underpinning the development of the Final Plan, to achieve a plan which delivers for current and future customers, and is capable of being accepted by customers and stakeholders. The plan will be submitted by January 2020 to the Economic Regulation Authority (ERA) in the form of an Access Arrangement (AA) for the 2021-2025 period.

AGIG engaged KPMG as an independent, third party facilitator to support its engagement process. KPMG brings independence with significant energy, gas and utilities industry insights. Through the engagement process, KPMG has hosted and facilitated a series of Shipper Roundtable sessions. Through the process, KPMG recorded the key observations and outcomes of each Shipper Roundtable. AGIG also engaged KPMG to undertake a Reasonable Assurance Review of AGIG’s demand forecasting model.

KPMG has facilitated nine Shipper Roundtable sessions between AGIG and representatives from gas shippers. These sessions have taken place between October 2018 to November 2019.

This report provides an independent summary of the process followed, organisations represented, topics covered, and key observations and discussions from each engagement session. This report is intended to be used as part of supporting information included in the Final Plan. This report will also form part of the documentation of

AGIG’s customer and stakeholder engagement program and should be read in conjunction with other reports on AGIG’s online engagement platform [gasmatters.agig.com.au](http://gasmatters.agig.com.au).

## A “no surprises” approach:

In developing future plans which are capable of acceptance by customers and stakeholders, AGIG adopts a “no surprises” approach. In the first Shipper Roundtable AGIG presented six engagement principles which were endorsed by members.

AGIG intends that its submission to ERA will be consistent with:

1. The expectations that AGIG has set with stakeholders about their engagement approach; and
2. Incorporates feedback from AGIG’s customers and stakeholders.

AGIG committed to achieving this through a four stage approach of engaging and involving stakeholders, which involved (1) Strategy & Research, (2) Developing the Draft Plan, (3) Consultation on the Draft Plan, and (4) Refinement & Ongoing Engagement.

Active engagement with customers and stakeholders commenced fourteen months prior to formal submission. This included publishing a Draft Plan seven months prior to formal submission, which was open for public consultation for a six week period. Shippers were invited to comment on the Draft Plan through a Shipper Roundtable meeting in addition to one on one feedback sessions with AGIG and/ or through a written submission. The input and feedback from Shipper Representatives has guided the development of the Draft Plan. After the consultation period on the Draft Plan was complete, a Shipper Roundtable was held to discuss the collective feedback and AGIG’s proposed response. Shipper Roundtables continued in the lead up to lodging the Final Plan as per AGIG’s commitment to continuous engagement. The Final Plan will be delivered to ERA by 2 January 2020.



Adapted from: AGIG Stage 1 Stakeholder Engagement Report

# Engagement at a Glance

29 Oct  
2018

## Shipper Roundtable 1

- Overview of AGIG
- AGIG's stakeholder engagement process
- Pipeline and reference services



**11**  
Shippers\*



**14**  
Representatives



**7** AGIG  
Representatives

29 Nov  
2018

## Shipper Roundtable 2

- Pipeline and reference services
- Tariff structures
- Customer experience



**11**  
Shippers



**15**  
Representatives



**8** AGIG  
Representatives

21 Jan  
2019

## Shipper Roundtable 3

- Early price modelling
- Regulatory building blocks
- Opex and Capex



**10**  
Shippers



**11**  
Representatives



**10** AGIG  
Representatives

25 Feb  
2019

## Shipper Roundtable 4

- Further detail on Opex and Capex
- Forecast demand and rate of return
- Incentive schemes and Draft Plan



**14**  
Shippers



**20**  
Representatives



**8** AGIG  
Representatives

25 Mar  
2019

## Shipper Roundtable 5

- Price and demand and asset base
- Incentives and Draft Plan and submission process
- Future energy model



**9**  
Shippers



**14**  
Representatives



**10** AGIG  
Representatives

20 May  
2019

## Shipper Roundtable 6

- Draft Plan and key highlights
- Customer and stakeholder engagement



**9**  
Shippers



**14**  
Representatives



**10** AGIG  
Representatives

5 Aug  
2019

## Shipper Roundtable 7

- Draft Plan feedback
- Further detail on Opex and Capex, demand and capital base



**10**  
Shippers



**14**  
Representatives



**8** AGIG  
Representatives

3 Sept  
2019

## Shipper Roundtable 8

- Price modelling
- Reasonable Assurance Review
- Depreciation Information paper
- Terms and Conditions



**12**  
Shippers



**18**  
Representatives



**7** AGIG  
Representatives

25 Nov  
2019\*\*

## Shipper Roundtable 9

- AGIG Final Plan (2021 - 2025)
- KPMG Customer Engagement Report



**13**  
Shippers



**24**  
Representatives



**7** AGIG  
Representatives

\*Shippers = # organisations, not # representatives. KPMG had at least 2 representatives per session.

\*\*This report does not include one-on-one sessions.

# Approach

AGIG have committed to an open, transparent and timely process, following leading practice stakeholder engagement to develop a plan that :

1. Delivers for current and future customers;
2. Is underpinned by effective stakeholder engagement;
3. Is capable of being accepted by our customers and stakeholder.

The key to achieving these objectives was a “no surprises” approach.

The theme of “no surprises” was consistently held through the nine Shipper Roundtables. To set up for success, AGIG methodically worked through key areas relevant to the development of plans for the future. The collection of feedback from stakeholders was an essential component of each session to ensure AGIG has visibility over, and develops a thorough understanding, of long term customer needs and interests, to be taken into consideration accordingly. It also ensured that Shippers had the opportunity to ask for additional information in specific areas of interest or concern.

Key Discussion Topics	Shipper Roundtable #
Pipeline and Reference Services	1, 2, 6, 7
Opex and Capex	3, 4, 6, 7, 8, 9
Rate of Return	3, 4, 6, 7
Capital Base	5, 6, 7, 8,9
Forecast Demand	4, 5, 6, 7, 8
Incentives	4, 5, 6, 7, 8, 9
Price Structure	2, 6, 7, 8
Customer Experience	1, 2, 3, 5, 6, 7
Draft Plan and Feedback	4, 5, 6, 7, 8
Customer (Stakeholder/Shipper) Engagement Report	1, 8

## Scope of KPMG’s Approach



### Planning

- KPMG met with AGIG prior to each Shipper Roundtable to confirm and provide inputs into the Roundtable topic(s).
- During this meeting, invitees were confirmed as well as related pre and post communication requirements.



### Engagement Facilitation

- KPMG hosted each Shipper Roundtable at their Perth offices.
- Topics were determined by AGIG and communicated prior to each session. AGIG provided and presented presentation materials for each session.
- KPMG provided two resources for each session to support the facilitation and note taking. KPMG prepared minutes for each session.
- KPMG met with AGIG after each session to review the outcomes and key observations.
- KPMG undertook a Reasonable Assurance Review to assess AGIG’s AA5 demand forecasting model and held an optional teleconference with AGIG in October 2019 for Shippers to ask questions.



### Engagement Survey

- As part of reporting requirements, KPMG sought feedback on the Roundtables from Shipper Representatives through an online survey.
- Ten questions were answered to help give an understanding of the role that the Roundtables have played in the consultation process with AGIG.



### Customer Engagement Report

KPMG has developed this Customer Engagement Report that functions as an independent and transparent overview of each engagement session, which can be used as part of the ERA submission process.

# Summary of Key Discussion Topics

Initial Position	Initial Shipper Views	Draft Plan	Shipper Feedback	AGIG Response
<b>Pipeline and Reference Services</b>				
Agreed that Full Haul, Part Haul and Back Haul reference services are consistent with the current reference services offered.	Asked for information on all of the services that AGIG offers.	<ul style="list-style-type: none"> <li>Proposed continuation of current reference services.</li> <li>AGIG will continue to negotiate bespoke services with customers.</li> <li>Provide information on all pipeline services.</li> </ul>	<ul style="list-style-type: none"> <li>Want to understand the relative importance of reference services and non-reference services for revenues, and the cost allocation methodology between services.</li> <li>Want to understand and engage on potential changes to terms and conditions before submission of the Final Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Discussed the services and revenue contribution.</li> <li>Evaluated potential amendments to terms and conditions and sought feedback from Shippers for incorporation.</li> </ul>
<b>Opex and Capex</b>				
Opex ex System Use Gas (SUG) of \$334m, Capex of \$159m and SUG of \$96m.	Asked for more information on AGIG's cost governance.	<ul style="list-style-type: none"> <li>Proposed Opex ex SUG of \$334m, Capex of \$159m and SUG of \$104m.</li> <li>Provided a summary of turbine and overhaul requirements.</li> <li>Outlined how governance frameworks drive efficient Opex and Capex.</li> <li>Provided information on key projects and programs that AGIG will undertake.</li> </ul>	<ul style="list-style-type: none"> <li>Want to see more detail on the derivation of costs.</li> <li>Want to understand the difference between Opex and Capex activities related to turbines and GEAs.</li> <li>Asked about benchmarking and the efficiency of costs.</li> <li>Asked to see trends in fuel efficiency over the last few AA periods.</li> </ul>	<ul style="list-style-type: none"> <li>Provided update for latest CPI forecasts, WPI forecasts, run hours and actual costs.</li> <li>Refined cost estimates and Business Cases, including full options analysis.</li> <li>Presented on benchmarking process and productivity factors.</li> </ul>
<b>Rate of Return</b>				
In Jan (2019) the current estimate was 5.60% and the forward estimate 5.99%.	Asked for more information on how AGIG calculates the rate of return.	<ul style="list-style-type: none"> <li>AGIG calculates the rate of return by applying the ERA's Guidelines.</li> <li>Proposed March forward estimate of 5.39%.</li> <li>Discussed expected tax allowance.</li> </ul>	<ul style="list-style-type: none"> <li>Want to understand the ERA's guidelines.</li> <li>Want to know what the ERA actual published rate was.</li> </ul>	<ul style="list-style-type: none"> <li>AGIG will set Final Plan rate of return closer to Dec 2019 and provide update.</li> <li>ERA will set actual price based on interest rates at time of their final decision.</li> </ul>
<b>Capital Base</b>				
Discussed increasing renewable electricity production, future energy models and change of asset categories.	Asked about the future timing of projects in accordance with asset lives.	<ul style="list-style-type: none"> <li>Proposed asset categories and lives in line with other transmission pipelines in Australia.</li> <li>Proposed to examine the economic life of AGIG's longest-lived assets.</li> <li>Note uncertainty around future energy models and consideration of how the DBNGP will continue to provide valued services to customers now and in the future.</li> </ul>	<ul style="list-style-type: none"> <li>Support AGIG's approach to asset categorisation but would like visibility of the mapping.</li> <li>Want to better understand the rationale for aligning the economic life of the loop and the mainline.</li> </ul>	<ul style="list-style-type: none"> <li>Presented on asset categorisation process.</li> <li>Presented on asset lives and WOOPS model.</li> <li>Fine tuning model and input assumptions before Final Plan.</li> </ul>

# Summary of Key Discussion Topics

Initial Position	Initial Shipper Views	Draft Plan	Shipper Feedback	AGIG Response
<b>Forecast Demand</b>				
Presented a Full Haul equivalent demand forecast averaging 691TJ/day in January.	Asked for more information on demand assumptions.	<ul style="list-style-type: none"> <li>Forecast decreasing Full and Part Haul demand, and increasing Back Haul demand in AA5.</li> <li>Proposed a Full Haul equivalent demand of 682TJ/day in AA5.</li> </ul>	<ul style="list-style-type: none"> <li>Want to better understand how AGIG have forecasted demand and how this compares to GSOO.</li> </ul>	<ul style="list-style-type: none"> <li>Contracted capacity and throughput has been revised down from the Draft Plan based on Shipper discussions regarding future requirements.</li> <li>Engaged KPMG to undertake a Reasonable Assurance Review of AGIG's demand forecasting model.</li> </ul>
<b>Incentives</b>				
Discussed potential incentive arrangements for Opex, Capex, service performance and innovation.	Asked for more information on how incentive schemes will work and the dollar amount.	<ul style="list-style-type: none"> <li>Proposed an Opex efficiency benefit sharing scheme (EBSS) to apply in AA5.</li> <li>May propose an innovation scheme, depending on whether further customer and stakeholder feedback suggests there is strong support.</li> </ul>	<ul style="list-style-type: none"> <li>Support an Opex EBSS applying in AA5.</li> <li>Do not support an innovation scheme applying in AA5.</li> </ul>	<ul style="list-style-type: none"> <li>Will ensure an Opex EBSS that incentivises efficiency gains to be balanced across all years of the AA period.</li> <li>Will not pursue an innovation scheme in the Final Plan.</li> </ul>
<b>Price Structure</b>				
<ul style="list-style-type: none"> <li>Discussed price structures for Full, Part and Back Haul reference services.</li> <li>In Jan 2019 indicative price of \$1.35 (before inflation).</li> </ul>	Acknowledged an understanding of the structure.	<ul style="list-style-type: none"> <li>In March AGIG presented our building blocks revenue, which was \$130 million lower than AA4.</li> <li>Proposed a 7% drop in revenue and a reference price of \$1.40 (before inflation) 5% above current reference prices and 6% below current negotiated prices.</li> <li>Prices will continue to be split into capacity and commodity components and distance factored.</li> </ul>	<ul style="list-style-type: none"> <li>Shipper Roundtables leading into the Draft Plan gave Shippers a clear understanding of what fed into the price outcome.</li> <li>Some questions around the fixed and variable cost components.</li> </ul>	<ul style="list-style-type: none"> <li>Updated revenue for any movement in building blocks.</li> </ul>

# Communication & Engagement

AGIG have ensured an open and transparent approach to communication and engagement. The table below lists the key principles and actions that have guided their engagement with stakeholders. This has been supported by AGIG’s Gas Matters website. Gas Matters functions as an online engagement forum.

Principles	AGIG’s Commitments	Actions
<b>Genuine and committed</b> 	<b>We listen and respond to the needs of our customers and stakeholders, driving a culture of delivering value for our customers.</b> <ul style="list-style-type: none"> <li>Engagement is led from the top.</li> <li>Stakeholder engagement is embedded in our business planning.</li> <li>We are always looking for ways to improve.</li> </ul>	<ul style="list-style-type: none"> <li>Roundtable sessions endorsed by senior leadership.</li> <li>Attendance and presentation of material by AGIG senior leadership at Roundtable sessions.</li> <li>Ben Wilson, CEO, attended all Roundtable sessions in person bar one, which was instead by phone.</li> <li>Continuously sought feedback from Shippers.</li> </ul>
<b>Clear, accurate and timely communication</b> 	<b>We provide information that is clear, accurate, relevant and timely.</b> <ul style="list-style-type: none"> <li>Online and print fact sheets.</li> <li>Briefings and information forums.</li> <li>Publication of draft plans.</li> </ul>	<ul style="list-style-type: none"> <li>Draft Plan and Draft Plan Fact Sheet made available online through Gas Matters website.</li> <li>Provided fact based responses to multiple requests and questions from Shippers through supporting information, documents and speakers.                             <ul style="list-style-type: none"> <li>For example: Minutes with attachments A) Information regarding 94/6 split, B) Contracting and tendering for capital works, C) Changes in expenditure and D) Capex over time.</li> <li>For example: Information paper titled <i>Further information on our depreciation position (2021 – 2025 Draft Plan Supporting Information)</i>.</li> </ul> </li> </ul>
<b>Accessible and inclusive</b> 	<b>We involve customers and stakeholders on an ongoing basis in a meaningful way, to ensure that our plans deliver for our customers.</b> <ul style="list-style-type: none"> <li>Stakeholder meetings.</li> <li>Roundtables and workshops.</li> <li>Forums and information sessions.</li> <li>Online engagement.</li> </ul>	<ul style="list-style-type: none"> <li>High levels of engagement through ongoing Roundtable sessions that have been demand based. The number of Roundtables increased from an initial plan of four to nine.</li> <li>There was participation from 15 Shipper organisations and a total of 35 different representatives who participated in the process. Participation increased as the process progressed.</li> <li>Roundtables were available to all Shippers. The sessions were run as open forums so no Shippers were excluded from attending.</li> <li>One-on-one consultation sessions were available to Shippers.</li> </ul>

Example consultation questions asked to Shippers throughout Roundtable sessions:



Do you think the Pipeline and Reference Services we have proposed are appropriate?

How comfortable are you with our 2021-25 expenditure plans?

Do you support our approach to forecasting demand?

Do you have any comments on our approach to setting the financing and tax costs?

Do you have any thoughts on our proposed incentive mechanisms for AA5?

Have we provided enough information to understand the basis of our proposed price, including how it is split between the capacity and commodity components?

Is there any further supporting information we can provide to assist?

Are there any other factors, including any of your own plans, you think we should consider?

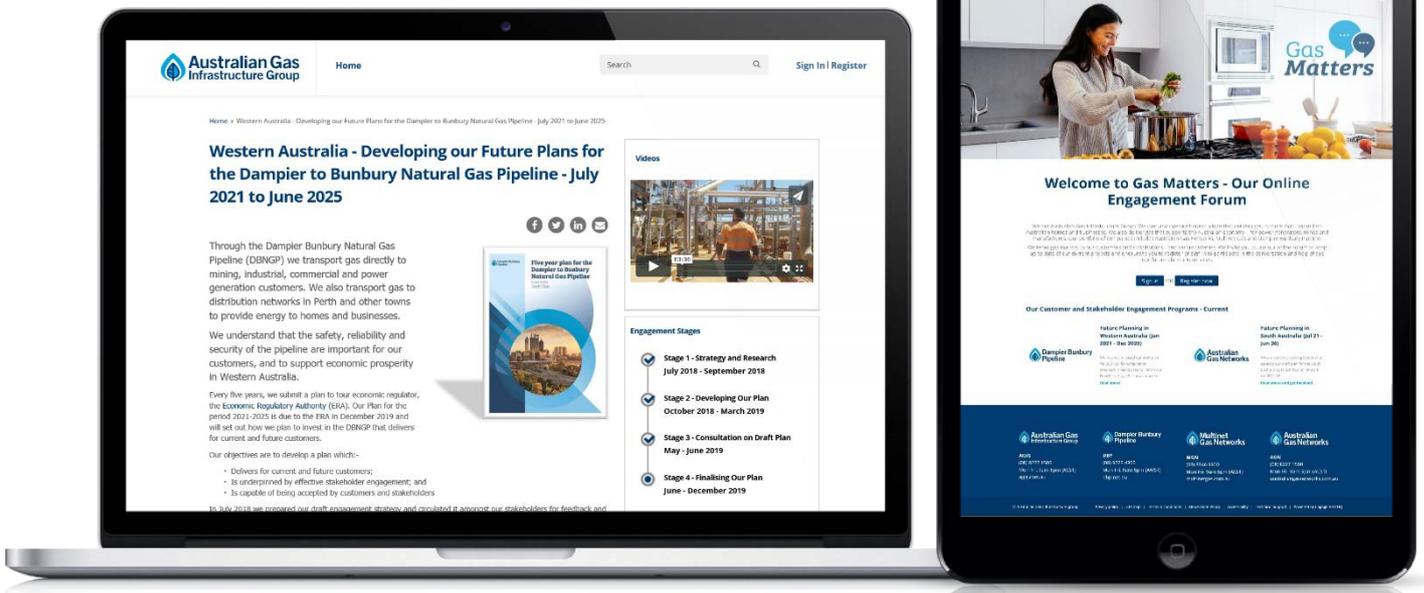
# Communication & Engagement

Principles (cont.)	AGIG's Commitments	Actions
<b>Transparent</b> 	<p><b>We clearly identify and explain the role of customers and stakeholders in the engagement process, and consult with customers and stakeholders on information and feedback processes.</b></p> <ul style="list-style-type: none"> <li>Publication and consultation of our proposed stakeholder engagement approach.</li> <li>Online public reporting</li> <li>We publish and consult on our reports.</li> <li>We report how we used stakeholder insights to inform our plans.</li> </ul>	<ul style="list-style-type: none"> <li>“No surprises” approach and open communication.</li> <li>For example: Early price modelling forecasts and high level expenditure proposals 11 months before submitting a Final Plan.</li> <li>Free flow of information with material made available online through Gas Matters website.</li> <li>Employed KPMG to write an independent report on the engagement process for transparency.</li> <li>Following customer requests raised during the engagement process, employed KPMG to undertake a Reasonable Assurance Review to assess AGIG’s AA5 demand forecasting model and provide an independent report.</li> </ul>
<b>Measurable</b> 	<p><b>We measure the success, or otherwise, of our engagement activities.</b></p> <ul style="list-style-type: none"> <li>Seek stakeholder feedback at all key stages of our engagement.</li> <li>Report on feedback.</li> <li>Identify ways we can improve our approach.</li> </ul>	<ul style="list-style-type: none"> <li>Consultation questions asked to Shippers throughout Roundtable sessions to gather feedback.</li> <li>Shipper Roundtables engagement survey sent to stakeholders to gather feedback on the Roundtable engagement process.</li> <li>Customer Engagement Report.</li> </ul>

## AGIG's Gas Matters website functions as an online engagement platform.

Customers and stakeholders have been encouraged to register an account so they can keep up to date on current projects and participate in the conversation to help shape future plans and services. Agendas, presentation material, minutes and other relevant documents from each Shipper Roundtable are also made available for download on the website. The Gas Matters website was launched by AGIG during the engagement process.

Visit the Gas Matters website >





# Shipper Roundtable Engagement Sessions

**This section provides an overview of the nine Shipper Roundtable Engagement Sessions that have taken place at KPMG's Perth Office between October 2018 and November 2019.**

Each engagement session followed the following format:

1. Introduction and recap of previous session (if applicable)\*
2. Agenda and context of topics to be covered
3. Presentation
4. Engagement and consultation questions\*
5. Summary\*
6. Next steps\*

Where requests were made for more information, AGIG either responded via inclusion in the session's minutes or coverage in subsequent sessions.

\*KPMG Facilitated

## Shipper Roundtable Engagement Session 1

**Date & Time:** 29 October 2018, 12:00 -14:00

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>Introduce the stakeholder engagement process</b></li> <li>• <b>Outline key objectives in the stakeholder engagement process</b></li> <li>• <b>Discuss and seek feedback on reference services</b></li> </ul>				
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Craig de Laine, Peter Bucki, Rachael Smith. <b>KPMG:</b> James Arnott.				
<b>Materials Provided</b>	Agenda, Presentation.				
<b>Key Discussion Topics</b>	<p><b>Overview of AGIG and introduction to AGIG’s stakeholder engagement process</b></p> <ul style="list-style-type: none"> <li>– AGIG noted they are undertaking this stakeholder engagement process to facilitate a “no surprises” regulatory submission.</li> <li>– Shippers were presented with the objective, approach timeline and purpose of the process, including future planned engagement sessions. They acknowledged satisfaction with the proposed future topics, format, logistics and length of the stakeholder engagement sessions.</li> <li>– AGIG provided through an example, that it will accept and apply the ERA’s Rate of Return guidelines, despite that guideline not being finalised.</li> </ul> <p><b>Role of KPMG in AGIG’s stakeholder engagement process</b></p> <ul style="list-style-type: none"> <li>– KPMG’s role is to act as an independent facilitator, record the stakeholder engagement process, and subsequently develop an independent report.</li> <li>– Shippers understood that should they require an alternative one-on-one session, this was available to them and could be facilitated by KPMG.</li> </ul> <p><b>Reference services</b></p> <ul style="list-style-type: none"> <li>– AGIG presented an overview of current services, including the differentiation and definition of reference and non-reference services.</li> <li>– Shippers understood that reference services would be defined and included in the regulatory submission.</li> <li>– Shippers agreed that reference services for the 2021 regulatory submission would be a continuation of the current reference services consisting of Full Haul, Part Haul and Back Haul services.</li> <li>– Shippers indicated interest in continuing to work with AGIG on the customisation and development of new pipeline services.</li> </ul>				
<b>Table of Responses</b>	<table border="1"> <thead> <tr> <th style="background-color: #00968f; color: white;"><b>Question/Comment Raised</b></th> <th style="background-color: #00968f; color: white;"><b>AGIG Response</b></th> </tr> </thead> <tbody> <tr> <td>1.1 Potential applicability for zonal or postage stamp pricing and the impacts.</td> <td>AGIG agreed to address current and potential price structures at a later Roundtable. AGIG expressed that its preliminary position was that the Pilbara Service, being an interruptible service, would unlikely meet the requirements of a reference service.</td> </tr> </tbody> </table>	<b>Question/Comment Raised</b>	<b>AGIG Response</b>	1.1 Potential applicability for zonal or postage stamp pricing and the impacts.	AGIG agreed to address current and potential price structures at a later Roundtable. AGIG expressed that its preliminary position was that the Pilbara Service, being an interruptible service, would unlikely meet the requirements of a reference service.
<b>Question/Comment Raised</b>	<b>AGIG Response</b>				
1.1 Potential applicability for zonal or postage stamp pricing and the impacts.	AGIG agreed to address current and potential price structures at a later Roundtable. AGIG expressed that its preliminary position was that the Pilbara Service, being an interruptible service, would unlikely meet the requirements of a reference service.				

## Shipper Roundtable Engagement Session 2

**Date & Time:** 29 November 2018, 12:00 -14:00

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>(Re)confirm reference services to be included in regulatory submission</b></li> <li>• <b>Provide an overview of the tariff structures</b></li> <li>• <b>Discuss the customer experience including feedback, survey results and future plans</b></li> </ul>
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Craig de Laine, Jon Cleary, Peter Bucki, Rachael Smith, Trent Leach. <b>KPMG:</b> James Arnott.
<b>Materials Provided</b>	Agenda, Presentation, Minutes of previous session.
<b>Key Discussion Topics</b>	<p><b>Reference services</b></p> <ul style="list-style-type: none"> <li>– AGIG reconfirmed with Shippers that Full Haul, Part Haul and Back Haul Services will be included in the regulatory submission.</li> <li>– Potential inclusion of Inlet Sales as a reference service was queried, however it was recognised that this would likely not match the requirements of the National Gas Rules for classification of a reference service.</li> </ul> <p><b>Current tariff structures</b></p> <ul style="list-style-type: none"> <li>– AGIG presented the current tariff structures to be applied to Full, Part and Back Haul reference services, with Shippers acknowledging the tariff structure.</li> <li>– Shippers discussed the allocation of costs between Full Haul and Part Haul services. No desire was expressed to change the current cost allocation between the two services as part of this review. AGIG discussed the capacity reservation / commodity percentage split and explained that the commodity component reflected the variable costs associated with DBNGP fuel gas. Shippers acknowledged an understanding of the structure.</li> </ul> <p><b>Customer experience</b></p> <ul style="list-style-type: none"> <li>– Feedback from previous customer engagement sessions was discussed and improvement areas identified. Reference was made to the anti-discrimination clause in the Standard Shipper Contract, with Shippers indicating that there was a willingness for AGIG to undertake further investigation into seeking unanimous agreement for its removal.</li> <li>– AGIG acknowledged that there was currently no Capacity Spot Market for Part Haul Shippers and that such was needed to ensure Full Haul Shippers were not getting a service that other Shippers were not.</li> <li>– The recent customer survey results were discussed. Shippers agreed that it should be anonymous in the future and more specific questions could be included.</li> <li>– AGIG recognised: (1) potential to simplify billing to customers, and (2) more information should be available on the AGIG website regarding available services.</li> <li>– The Customer Experience Aspirations received support from Shippers: <ul style="list-style-type: none"> <li>✓ <b>We are trusted</b></li> <li>✓ <b>We provide highly reliable services at a sustainable cost</b></li> <li>✓ <b>We are quick to respond</b></li> <li>✓ <b>We are open for business 24/7</b></li> <li>✓ <b>We are professional in our commercial negotiations</b></li> <li>✓ <b>We work together in partnership with business</b></li> <li>✓ <b>We are innovative and drive a future focus in our offerings</b></li> </ul> </li> </ul>

## Table of Responses

Question/Comment Raised	AGIG Response
2.1 Consideration of Inlet Sales as a reference service.	AGIG is not proposing to include Inlet Sales as a reference service on the basis that the service is unlikely to meet the NGR criteria for it to be considered a reference service.
2.2 Cost allocation for Full Haul and Part Haul services.	Reflecting the view of Shippers, AGIG does not propose to change the current allocation between reference services.
2.3 Progression of anti-discrimination clause within Standard Shipper Contracts.	The Commercial Team will engage with Shippers one-on-one outside of this engagement process over the next two to three months with a view to understanding whether there is a unanimous agreement for its removal.
2.4 Continuation of annual customer satisfaction survey.	AGIG has committed to undertaking an annual anonymous customer satisfaction survey as a way to capture feedback and improve customer service.
2.5 Potential billing improvements.	Billing improvements are a planned priority. AGIG will consider the ability to simplify monthly bills by June 2019 and report back to Shippers on progress as this may be a complex process.
2.6 Improved information on services on the AGIG website.	Website improvements have been scheduled and additional information will be available on the DBP website from March 2019. This is part of business as usual improvements and will not have a cost impact for customers.
2.7 Future investment and/or roadmap for current systems and technology platforms.	Proposed investments will be presented at the Roundtable sessions in January and February 2019.
2.8 Amendment of Customer Experience Aspirations.	AGIG will update its Customer Experience Aspirations to "responds quickly" in replace of "responds quickly when things go wrong" reflecting that quick response times are always a priority for customers.
2.9 Feedback on the recontracting process, timings and engagement process.	The Commercial team will be engaging with Shippers one-on-one to discuss the prospect of recontracting aspects of the Standard Shipper Contract in early 2019.
2.10 Depreciation of the pipeline.	Further information about the regulatory depreciation of the DBNGP will be presented in subsequent Roundtable sessions and will form a component of our regulatory modelling.
2.11 Clarification on the purpose and use of Roundtable feedback and the regulatory process.	AGIG are committed to ensuring the engagement programs are transparent and well communicated. Further clarity about how the feedback will be included in the lodgement of the plans to the regulator will be provided directly to Shippers before the next Roundtable. AGIG welcomes any questions and feedback throughout the engagement process.

## Shipper Roundtable Engagement Session 3

**Date & Time:** 21 January 2019, 12:00 -14:00

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>Agree outcomes and actions from previous sessions</b></li> <li>• <b>Present on how the future plan is being developed</b></li> <li>• <b>Discuss and seek feedback on expenditure forecast - Opex and Capex</b></li> </ul>
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Jon Cleary, Brooke Palmer, Tawake Rakai. <b>KPMG:</b> James Arnott.
<b>Materials Provided</b>	Agenda, Presentation, Minutes of previous session.
<b>Key Discussion Topics</b>	<p><b>Overview of future plan development</b></p> <p>AGIG re-emphasised the objectives of the stakeholder engagement process and the “no surprises” approach, to enable the development of a plan that meets customers’ requirements. The intended outcome is that Shippers are provided with sufficient opportunity to provide input into Draft and Final Plans.</p> <p><b>Reference price and rate of return</b></p> <ul style="list-style-type: none"> <li>– AGIG outlined that operating expenditure (Opex), capital expenditure (Capex) and total expenditure (Totex) are key components of determining the reference price.</li> <li>– An indicative reference price was presented based on early modelling and key assumptions regarding the rate of return.</li> <li>– There is a challenge in providing a reliable price guidance to Shippers, due to the sensitivity in the rate of return, but AGIG’s intention is to accept the ERA’s rate of return as this enables overall acceptance of the plan.</li> </ul> <p><b>Operating expenditure</b></p> <p>AGIG presented detailed information on the key drivers of Opex and clarification was given on the nature of certain expenses as Opex or Capex.</p> <p><b>Capital expenditure</b></p> <ul style="list-style-type: none"> <li>– AGIG provided background and process for determining Capex for the pipeline, including discussion of stay in business and expansionary Capex and details of proposed Capex programs and business case development.</li> <li>– Shippers requested some additional information in relation to expenses that have moved significantly from the prior period and AGIG committed to providing this in future sessions.</li> </ul>

## Shipper Roundtable Engagement Session 3

Table of Responses	Question/Comment Raised	AGIG Response
	3.1 Detail in relation to the 94/6 split of fixed and variable Opex costs.	AGIG provided clarification on the reasons for the 94/6 split, including that the change in the split reflected expectations of declining SUG costs. AGIG to send additional information to all Shippers prior to the next Roundtable session.
	3.2 Impact of changes in the market and additional producers coming on-stream.	AGIG to include how additional producers coming on-stream has been included in modelling at the next Roundtable session as part of the presentation on demand forecasting.
	3.3 Clarification on potential for cost duplication for overhauls (i.e. the same activity included as both Opex and Capex).	AGIG provided clarification that overhauls are expensed through Opex in the period (as per the regulatory guideline) and that there is no cost duplication. It was noted that this would be reviewed by the ERA during the review process.
	3.4 Clarification of the expenditure process including tender and contracting process.	AGIG provided clarification regarding the tender and contracting process for Capex. AGIG to provide follow up information to Shippers for reference prior to the next Roundtable session.
	3.5 Additional detail in relation to the 42% increase in field expenses and other Opex and Capex projects where there is reasonable change from the current period.	AGIG to provide a summary table of Opex and Capex proposals where there is an increase in spend greater than 20% compared to the current period. The table should include explanatory comments regarding the delta. AGIG to present the summary table at the next Roundtable session.
	3.6 Clarification on an increase in Capex as opposed to a decrease over the next five years per expectations from some Shippers.	AGIG to provide further information regarding the proposed increase in Capex in AA5 compared with the last AA period. AGIG to send additional information to all Shippers prior to the next Roundtable session.
	3.7 Opportunity for specialists (e.g. finance teams) from Shipper organisations to be engaged as part of the process.	AGIG encouraged Shippers to invite specialist representatives to attend future Roundtable sessions.
	3.8 Opportunity for future engagement sessions once the current series of Roundtables has been completed with an opportunity to discuss the Draft Plan.	Based on Shippers' feedback, the use of the existing Roundtable format would be continue when the Draft Plan is released, likely through to the submission of the Final Plan.

# 4

## Shipper Roundtable Engagement Session 4

**Date & Time:** 25 February 2019, 12:00 -14:00

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>Respond to additional information requests in relation to Opex and Capex from the previous session</b></li> <li>• <b>Present AGIG’s view on forecast demand and the rate of return being utilised</b></li> <li>• <b>Discuss and seek feedback on potential incentive schemes</b></li> </ul>
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Brooke Palmer, Rachael Smith, Craig de Laine. <b>KPMG:</b> James Arnott.
<b>Materials Provided</b>	Agenda, Presentation, Minutes of previous session including attachments: A) Information regarding 94/6 split, B) Contracting and tendering for capital works, C) Changes in expenditure and D) Capex over time.
<b>Key Discussion Topics</b>	<p><b>Opex and Capex</b></p> <p>AGIG provided further detail on Opex and Capex proposals as requested in prior session including period on period comparisons and further breakdown of categories of expenses.</p> <p><b>Forecast demand and rate of return</b></p> <ul style="list-style-type: none"> <li>– Demand was discussed on a market overview level and with generic assumptions to maintain confidentiality.</li> <li>– AGIG noted their 100% availability and reliability over the previous period.</li> <li>– AGIG presented their view of future energy needs, diversification, impact of market entrants and renewables.</li> <li>– AGIG reconfirmed their intention to adopt the ERA’s rate of return guidelines when formulating their plan, consistent with submitting a plan capable of acceptance.</li> </ul> <p><b>Incentive schemes</b></p> <p>AGIG presented an overview of different incentive schemes that could be considered, and sought feedback for their inclusion in the AA5 submission.</p> <p><b>Draft Plan and next steps in the regulatory submission process</b></p> <p>AGIG provided detail on the next steps of the regulatory submission process and expected timing.</p>

# 4

## Shipper Roundtable Engagement Session 4

Table of Responses	Question/Comment Raised	AGIG Response
	4.1 Details on scheduling of overhauls.	AGIG will ensure information relating to the scheduling of overhauls is included in the Draft Plan or supporting information.
	4.2 Clarification of cost increase being attributed to turbines and GEA overhauls.	AGIG to ensure this is addressed in the Draft Plan or supporting information.
	4.3 Details on the difference between AA4 benchmark Capex and actuals.	AGIG to ensure this is addressed in the Draft Plan or supporting information.
	4.4 Shippers questioned the 94/6 SUG component.	SUG is more than 6% of cash cost but is only 6% of revenue. Further inputs into the building blocks of cost were then discussed.
	4.5 The future timing of projects and the assumption that if projects were undertaken in AA5, that they would also be required in AA6.	AGIG confirmed this was generally correct depending on the replacement cycle and life of asset, in addition to external factors (e.g. changing shipper requirements).
	4.6 A request was made for information on the generation profiles used for the 2018 fuel mix, not the nameplate capacity.	AGIG to provide insight and additional information prior to the next Roundtable session.
	4.7 Detail on instances where AGIG, based on the lack of an incentive regime, had been prevented/discouraged from doing something.	As an example, projects related to distribution networks and the decarbonisation process were resource intensive and that this would be an example of where innovation incentives would further encourage work to be undertaken.
	4.8 Insight into Government plans related to managing the impact of wind.	AGIG would provide reference to the information that they had used in regards to developing their model. Only publically available information could be made available.
	4.9 A request was made for information on the historical use and future forecasts related to system use gas.	AGIG to provide insight and additional information prior to the next Roundtable session.
	4.10 Shippers requested a Roundtable session be held a week after the Draft Plan is released.	AGIG to schedule a Roundtable session on 20 May to discuss the Draft Plan.

# 5

## Shipper Roundtable Engagement Session 5

**Date & Time:** 25 March 2019, 12:00 -14:00

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>Recap on previous presentations for updated information and respond to requests for additional detail</b></li> <li>• <b>Present AGIG’s view on delivering for customers in the future and the challenges in managing the pipeline in a Future Energy Model</b></li> <li>• <b>Agree on next steps in the regulatory submission process</b></li> </ul>
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Rachael Smith, Brooke Palmer, Craig de Laine. <b>KPMG:</b> Gemma Modra.
<b>Materials Provided</b>	Agenda, Presentation, Minutes of previous session.
<b>Key Discussion Topics</b>	<p><b>Price and demand update</b></p> <p>AGIG gave an update on the price based on new information and also on demand assumptions as requested in the previous session.</p> <hr/> <p><b>Incentives</b></p> <p>The incentive schemes raised in Shipper Roundtable #4 were further discussed including the impact on pricing, the incentives to be proposed.</p> <hr/> <p><b>Future energy model and asset base</b></p> <ul style="list-style-type: none"> <li>– AGIG discussed challenges in planning for a future energy model given the uncertainty around decarbonisation, political impacts, diversity of energy sources and the increase in renewables.</li> <li>– AGIG presented on the impact on the componentisation of assets and associated useful life assessments.</li> </ul> <hr/> <p><b>Draft Plan and next steps in the regulatory submission process</b></p> <p>Shippers confirmed they would like to meet to discuss the plan once it had been drafted and circulated.</p>

Table of Responses	Question/Comment Raised	AGIG Response
	5.1 Assumptions used for peak demand and impact this has on pricing given volatility.	AGIG referred to the Fuel Mix slide which showed demand for baseload energy has decreased as renewables increased. This impacts how the pipeline is operated. There has been focus on managing the peaking periods and additional SUG.
	5.2 Shippers questioned the weighting of the demand profile.	AGIG have incorporated a probability scale into the modelling. The modelling process has been rigorous to accurately forecast the demand profiling as it cascades across the whole business and operation of the pipeline.
	5.3 Clarification as to whether all production from Perth Basin is classified as T1.	T1 service is needed to take delivery but expectation is that some T1 may be relinquished and that more P1 services will be taken out or other pipelines utilised.
	5.4 Whether the change in the SUG requirement is significant enough to impact on the 94/6 commodity split.	The change is not enough and this split has not changed since Shipper Roundtable #3.
	5.5 Shippers raised a question around the scale of the innovation incentives in dollar amount.	The amount is usually a maximum of 0.5% of revenue. AGIG will provide more detail in the Draft Plan.
	5.6 Shippers asked what percentage of the line is looped.	The line is 85% looped but it does not connect at each compressor station.
	5.7 Whether the early recovery of the depreciation will impact on the price in the future.	Post AA5, assuming current RAB, the price would be lower than it otherwise would be. Shippers stated that these impacts need to be made clear by AGIG.

## Shipper Roundtable Engagement Session 6

**Date & Time:** 20 May 2019, 12:00 -14:00

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>Recap and consolidate the outcomes of previous sessions</b></li> <li>• <b>Discuss and seek feedback on the Draft Plan, including the revenue and price outcome</b></li> </ul>
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Rachael Smith, Brooke Palmer, Craig de Laine. <b>KPMG:</b> James Arnott.
<b>Materials Provided</b>	Agenda, Presentation, Minutes of previous session, Hard copies of Draft Plan (which were shared electronically prior to the session).
<b>Key Discussion Topics</b>	<p><b>Draft Plan</b></p> <ul style="list-style-type: none"> <li>– The objectives are: to present a plan that delivers for current and future customers; is underpinned by effective stakeholder engagement; and that is capable of being accepted.</li> <li>– AGIG will continue to negotiate bespoke services where Shipper unique circumstances call for a more tailored service.</li> </ul> <p><b>AA4 referencing</b></p> <ul style="list-style-type: none"> <li>– Delivering for customers – no primary losses of containment; 100% reliability; new engagement program; an annual customer survey.</li> <li>– A good employer – improved safety performance; and employee engagement.</li> <li>– Sustainably cost efficient – expenditure below benchmark; zero environmental issues.</li> </ul> <p><b>Capacity trading</b></p> <ul style="list-style-type: none"> <li>– There are existing provisions in the SSC and reference services that allows for capacity trading on the DBNGP. AGIG noted that recent GMRG reforms in other jurisdictions were required to address contractually constrained pipelines which needed to incentivise customers to contract more efficiently, whereas the DBNGP has spare capacity available.</li> </ul> <p><b>Capital base</b></p> <ul style="list-style-type: none"> <li>– AGIG noted the process of adjusting the capital base over the current and future periods for actual spend, inflation and depreciation.</li> <li>– Both current and future customers need to be considered in future energy models, which is why AGIG have adjusted the capital base to re-align asset categories and lives.</li> </ul> <p><b>Revenue and prices</b></p> <ul style="list-style-type: none"> <li>– An 11% cut in expenditure which is a combination of an increase in Capex and decrease in Opex. Revenue has also decreased period-on-period by 7%.</li> <li>– The price is a 6% cut from negotiated contract, for those paying the regulated price it is a 5% increase.</li> </ul>

## Table of Responses

Question/Comment Raised	AGIG Response
6.1 Whether the Draft Plan had addressed all the issues and questions that were raised throughout the Roundtable sessions.	Not all stakeholders have the same view but they believe the Draft Plan adequately addresses all issues raised in Roundtable sessions.
6.2 Changes to terms and conditions on the Reference Services Agreement, that removed discrimination in relation to the Overrun Rate and the bid for Spot Capacity.	The Spot Capacity Service is not a reference service and therefore not addressed in the Draft Plan. AGIG recognized that the Draft Plan has not gone into detail reviewing the terms and conditions of the reference services proposed and that AGIG intends to address the Overrun Rate in its detailed proposal for reference services.
6.3 A Shipper Representative questioned the finance costs.	The rate of return of 5.39% is the weighted average cost of capital which is a combination of debt (approx. 4-4.5%) and equity. AGIG also noted that the rate would be updated for market movements during the regulatory review process.
6.4 A Shipper Representative questioned the potential double counting of inflation going forward.	There was no double counting of inflation as the ERA's regulatory model adjusts for any potential of double counting. This is consistent with all regulatory models.
6.5 If the rate of return was calculated "in line with ERA guidelines" and what the ERA actual published rate was.	The ERA provides a set of instructions and methodology to calculate the rate of return utilising market information. The recent ATCO draft decision used 5.7%, but by the time AGIG will submit their plan, the rate will be approximately 5.4%. The period used to calculate the rate to apply has to be nominated in advance.
6.6 Shippers questioned the tax calculation and Opex, and how it had increased despite revenue decreasing.	AGIG responded that financing costs had gone down, which likely drove the result.
6.7 What happens if actual demand stays the same in AA5 as in AA4.	Once the price is set, AGIG wore the risk / benefit of demand being higher or lower than the benchmark under a price cap.
6.8 Shippers questioned the decrease in demand and consistency with the AEMO Gas Statement of Opportunities (GSOO).	The demand is forecast based on the best available information pertaining to contracted capacity and throughput for Full Haul, Part Haul and Back Haul reference services.
6.9 Shippers questioned the actual demand in the current AA4 period.	AGIG referred to the Draft Plan, noting no significant change in forecast but an overall reduction in contracted capacity for AA5. AGIG expected some customers to use contracted relinquishment rights to reduce unutilised contracted capacity.
6.10 Whether AGIG is making any assumptions around revenue from the Spot Capacity.	AGIG responded that it is not included in the Draft Plan as that contains purely Full Haul equivalent capacity and related revenue. AGIG also noted that revenue from the Spot Capacity was a very small component of revenue.

Table of Responses	Question/Comment Raised	AGIG Response
	6.11 The increasing impact of the Pilbara Service and whether the revenue is included in the total revenue.	While there has been some increase, it is relatively minor. AGIG noted that Full Haul comprises 95% of total revenue so the movement between P1 and B1 and Pilbara Service is questionable due to the different nature of the service and has a marginal impact on revenue.
	6.12 Shippers questioned the total of 900TJs compared to the GSOO planning for 1,000TJ – 1,100TJ.	AGIG noted that removing the PGP (30TJ), PEPL (60TJ) and direct feed from Varanus to GGP (100-110TJ) ensures no double counting through the different pipelines in their data.
	6.13 Whether the tax cost is captured in Opex costs.	It is a separate cost and not included in Opex, and tax benefit / cost is a timing issue and is only compensated once.
	6.14 Clarification on how the overrun charges work.	The Overrun Rate is 115% of relevant tariff (T1, P1 and B1) or a spot price bid for that day.
	6.15 Whether overrun capacity applies to Full and Part Haul shippers.	AGIG noted the Overrun Rate is applied consistently in all contracts and is consistent with the reference service charging mechanism. A Shipper Representative confirmed that it wanted a fundamental change to the Overrun Rate for Part Haul reference services.
	6.16 Shippers questioned the GEA and turbine overhaul requirements given the solar and battery possibilities.	AGIG have over 200MW of turbines so to change them over to electric drive would be a huge exercise and associated cost noting that the GEA are electric (50MW). AGIG does have solar and battery backups for small and remote applications.
	6.17 Shippers asked how far away AGIG are from removing the need for compressors.	AGIG responded that would significantly impact Capex costs and impact reliability. AGIG are focused on reducing fuel costs and are not considering a significant transition to alternative fuel sources to power compression on the DBNGP.
	6.18 Whether AGIG could run the compressors on hydrogen.	AGIG could convert the compressors to electric drive with hydrogen as a fuel source to produce electricity but that would be a different process. AGIG noted that an example of innovation could be around hydrogen blending within the DBNGP.
	6.19 Determination of the SUG price.	AGIG have used market data to estimate the cost. AGIG uses an estimate methodology, previously approved by the ERA, to determine the volume of SUG. This will be consistent with the approach taken for AA4.

# 7

## Shipper Roundtable Engagement Session 7

**Date & Time:** 5 August 2019, 12:00 -14:00

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>Provide a business update</b></li> <li>• <b>Summary of the feedback on the Draft Plan and AGIG’s response</b></li> <li>• <b>Refine plans for lodgement with the ERA</b></li> <li>• <b>Discuss online engagement via the new Gas Matters website</b></li> </ul>
<b>Presenters</b>	<p><b>AGIG:</b> Ben Wilson, Craig de Laine, Rachael Smith, Brooke Palmer, Nick Wills-Johnson, Kristen Pellew. <b>KPMG:</b> James Arnott.</p>
<b>Materials Provided</b>	<p>Agenda, Presentation, Minutes of previous session.</p>
<b>Key Discussion Topics</b>	<p><b>Draft Plan feedback</b></p> <p>AGIG are continuing to refine the Draft Plan based on feedback received during the consultation process, which is delivering on a “no surprises” approach.</p> <p><b>Reference services</b></p> <ul style="list-style-type: none"> <li>– AGIG discussed the distinction between the reference services and the Standard Shipper Contracts (SSC).</li> <li>– Going through a process to evaluate potential amendments to the current reference service terms and conditions.</li> </ul> <p><b>Opex and Capex</b></p> <p>AGIG provided an update in relation to the current forecast of Opex given the actuals for the first 6 months of 2019 are now available.</p> <p><b>Benchmarking</b></p> <ul style="list-style-type: none"> <li>– AGIG recognises the value of benchmarking and have included a benchmark in the current access arrangement which is Opex per unit of energy delivered. This measure shows a 10% improvement on AA4 to date.</li> <li>– AGIG discussed productivity, which is a component of the base step trend approach to forecasting Opex. A zero productivity factor will be proposed.</li> </ul> <p><b>Capital base</b></p> <ul style="list-style-type: none"> <li>– AGIG reviewed the asset categories used to describe the asset base, and sought more appropriate categories that are consistent with the business and reflective of good industry practice.</li> <li>– AGIG referred to its use of the Window of Opportunity Passed (WOOPs) model noting that it had developed a specific WOOPs model for the DBNGP.</li> </ul> <p><b>Forecast demand</b></p> <p>AGIG spoke to the changes in its demand forecast up to and since the release of the Draft Plan.</p>

Table of Responses	Question/Comment Raised	AGIG Response
	7.1 Shippers requested a list of the proposed amendments to the terms and conditions of the SCC prior to them being submitted to the ERA.	AGIG agreed that a table of the amendments will be circulated and discussed prior to being submitted to the ERA.
	7.2 Whether the cost saving between the allowance and actual in AA4 would be rolled into AA5.	The difference between the forecast Opex set by the ERA and that actually incurred in AA4 is kept by AGIG in AA4, but is then passed on to customers in AA5.
	7.3 Shippers challenged that if there was an incentive to reduce costs there would also be an incentive to overestimate their requirement for forecast expenditure in the Opex base year or 5 year forecast of Capex.	AGIG responded the ERA is conscious of this and would not approve Opex it considered inefficient.
	7.4 An increase from AA4 actual to AA5 forecast Opex.	The change in that instance is primarily due to the proposed change in capitalisation policy. AGIG will provide the Opex chart with the change depicted at the next Roundtable session.
	7.5 Shippers asked how AGIG has performed for Opex per unit of energy delivered over the last 10 years.	AGIG to present Opex per unit of energy delivered over the last 10 years at the next Roundtable session.
	7.6 Whether AGIG needs all the mainline valves along the pipeline and what would the typical number of valves be for a 2,000km pipeline.	AGIG responded that as a responsible pipeline operator, the design of the DBNGP has been approved by appropriate technical regulatory authorities and has been built to be consistent with appropriate Australian and International Standards.
	7.7 Shippers queried what was included in the \$101m in "other depreciable" category in the recategorisation proposal.	AGIG to provide more information regarding what is included in the category "other depreciable"
	7.8 Shippers requested an explanation of the proposed change to the depreciation of the loop-line.	AGIG to provide further information to Shippers regarding proposed changes to the depreciation of the loop-line.
	7.9 Shippers requested more detail on the methodology used for the demand forecast.	AGIG has engaged KPMG to analyse the assumptions and methodology used to forecast demand to provide transparency and assurance of the robustness of AGIG's approach without compromising Shipper confidentiality. This report will be made available to Shippers as soon as it becomes available.



## Shipper Roundtable Engagement Session 8

**Date & Time:** 03 September 2019, 12:30 -14:30

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"><li>• <b>Provide a business update on WACC and price modelling</b></li><li>• <b>Discuss AGIG's proposed approach and rationale to depreciation</b></li><li>• <b>Discuss forecast demand, Efficiency Benefit Sharing Scheme (EBSS) , proposed changes to terms and conditions, billing update</b></li><li>• <b>KPMG presented on role and process of delivering Stakeholder Engagement Report</b></li></ul>
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Craig de Laine, Rachael Smith, Brooke Palmer. <b>KPMG:</b> James Arnott.
<b>Materials Provided</b>	Agenda, Presentation, Minutes of previous session, Information paper titled: Further information on our depreciation position (2021 – 2025 Draft Plan Supporting Information).
<b>Key Discussion Topics</b>	<p><b>Price update</b></p> <p>AGIG noted that the Draft Plan referenced a price of \$1.40, based on a WACC of 5.39%, commodity split of 94/6 and expected demand at the time. This has been updated to a price of \$1.37, based on a WACC of 4.58%, and demand of 651 TJ.</p> <p><b>Developing future plans</b></p> <ul style="list-style-type: none"><li>– AGIG illustrated improved efficiencies as Opex/total energy delivered and Opex/km had reduced over time. AGIG reaffirmed the challenges sourcing benchmarking data for transmission pipelines.</li><li>– AGIG's objective in developing its plan is to deliver for current and future customers. Price impact is important but the long term interests must be given equal priority and this has been confirmed in the submission by the AEMC.</li><li>– The Window of Opportunity Past (WOOPS) model is used to estimate the economic useful life of the DBNGP. AGIG confirmed fuel substitution of natural gas by hydrogen is assumed by the model, and that CSIRO projections for the cost of hydrogen have been relied upon.</li><li>– Carbon policy and renewable energy technology are one-way ratchets; it is not credible to assume less stringent emissions targets or more costly renewable energy technology in the future. Therefore, the value of waiting is diminished and is ultimately not in the long term interest of customers.</li><li>– AGIG will be putting forward an EBSS in the Final Plan, with the purpose to replicate what would happen in a competitive market to reward for cost savings and penalise for cost overruns.</li></ul> <p><b>Billing simplification</b></p> <ul style="list-style-type: none"><li>– AGIG presented on the process being undertaken together with their vendor EnergyOne.</li><li>– Some of the improvements being considered include: removing charge zones that are not used, removing the need for multiple delivery meters for multiple services, introduction of cover and summary pages, invoices to be provided in CSV format, and general clean up.</li></ul>



## Shipper Roundtable Engagement Session 8

Table of Responses	Question/Comment Raised	AGIG Response
	8.1 Shippers proposed amendments to the minutes for Shipper Roundtable #7. Proposed amendments were documented by KMPG for inclusion.	KPMG to circulate revised minutes.
	8.2 Shippers asked how the changes to WACC and demand have impacted the overall price.	AGIG to provide a waterfall chart to all Shippers to illustrate the offsetting drivers and the impact on price.
	8.3 Whether the “7% price cut for most of our customers” also refers to the Pilbara service.	The Pilbara service was a non-reference service so did not apply and is on a different tariff structure outside this framework.
	8.4 Shippers requested more detailed information relating to the underlying assumptions in the paper titled: Further information on our depreciation position (2021 – 2025 Draft Plan Supporting Information).	AGIG to provide more detail regarding the assumptions/ modelling underpinning the rationale for the proposed approach to depreciation. AGIG also responded that all information would be publicly available with the Final Plan.
	8.5 Shippers noted that there could be a future scenario in which they are consuming hydrogen in their operations, delivered by the DBNGP.	AGIG responded that may be possible and that proposed changes to depreciation increases the prospects of this occurring. Transport of hydrogen in a transmission pipeline depends upon differences in the cost of its production at either end of the pipeline.
	8.6 To provide further transparency around demand forecasts, AGIG have engaged KPMG to undertake a reasonable assurance review.	AGIG to circulate the reasonable assurance review of demand forecasts. AGIG to organise a teleconference with interested Shippers to present the findings.
	8.7 Shippers questioned the operation of the incentive scheme when there are both positive and negative cost outcomes and how that is shared between AGIG and customers.	AGIG noted they would provide the example model to Shippers for their review.
	8.8 Proposed approach to amending the terms and conditions.	A table of proposed revisions will be distributed by AGIG to Shippers by end of September for feedback. The revised terms and conditions will be submitted with the Final Plan to the ERA in December 2019.
	8.9 KPMG’s report documenting the engagement process and activities AGIG has undertaken to support its plans for the DBNGP from 2021 to 2025.	KPMG will develop their report and provided to AGIG as part of their submission.

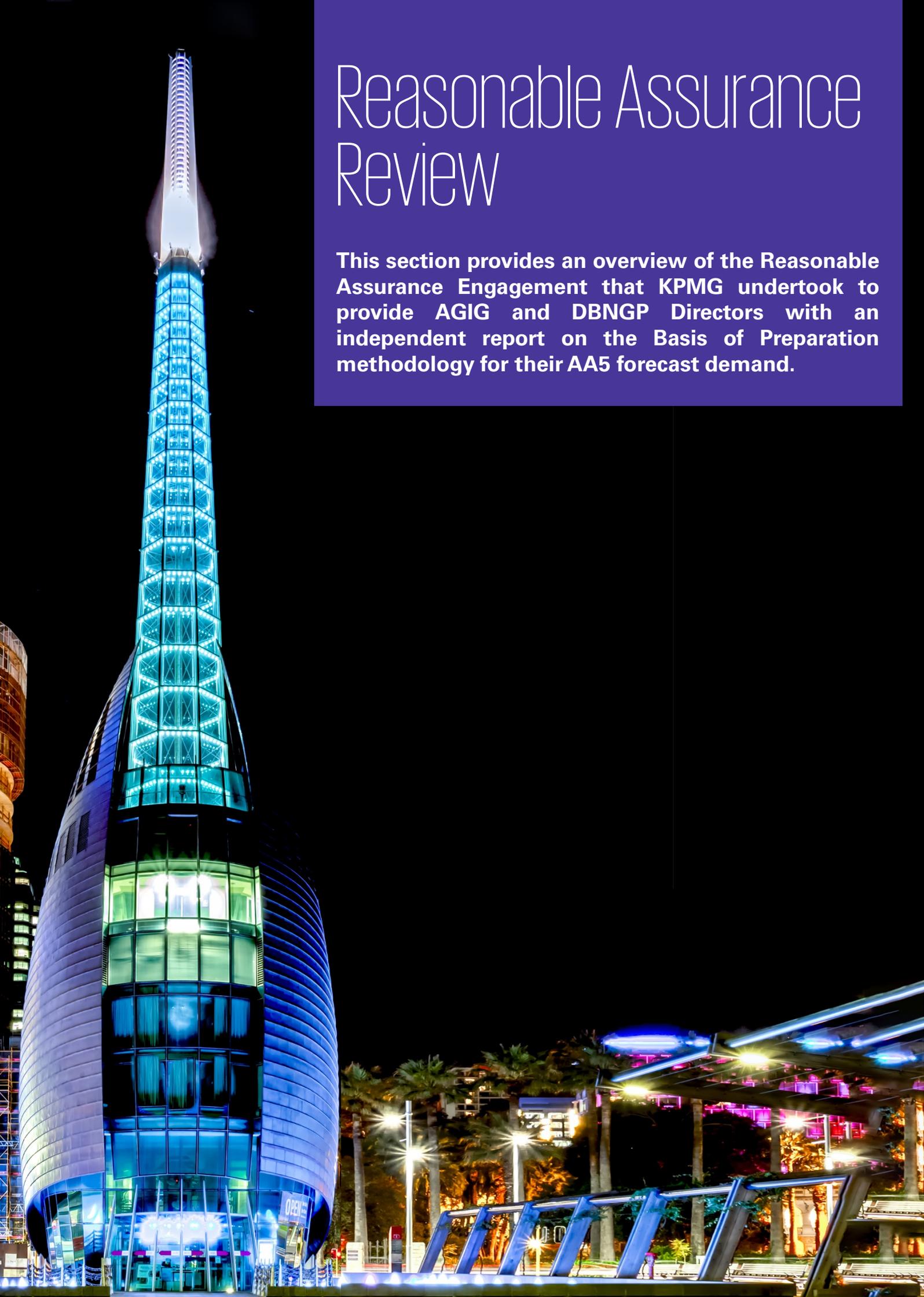
## Shipper Roundtable Engagement Session 9

**Date & Time:** 25 November 2019, 12:30 -14:30

**Venue:** KPMG, 235 St Georges Terrace, Perth

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• <b>Provide a business update</b></li> <li>• <b>Discuss the Capex and Opex for the Final Plan</b></li> <li>• <b>Provide an update on the financing costs and revenue</b></li> <li>• <b>Provide an update on the next steps and further engagement</b></li> </ul>
<b>Presenters</b>	<b>AGIG:</b> Ben Wilson, Craig de Laine, Peter Bucki, Rachel Smith, Tawake Rakai. <b>KPMG:</b> James Arnott.
<b>Materials Provided</b>	Agenda, Presentation, Minutes of previous session.
<b>Key Discussion Topics</b>	<p><b>Final Plan</b></p> <ul style="list-style-type: none"> <li>– ERA has requested submission of the Final Plan to be on 2 January 2020.</li> <li>– AGIG presented the price to be included in the Final Plan of \$1.43. This is a 6% price cut for most customers.</li> </ul> <p><b>Reference Services</b></p> <ul style="list-style-type: none"> <li>– Reference services are consistent with those disclosed in the Draft Plan and revised terms and conditions have been circulated.</li> <li>– AGIG presented the contribution of non-reference services to revenue (5%) and noted that the costs of providing those services are not included in the model.</li> </ul> <p><b>Capex and Opex</b></p> <ul style="list-style-type: none"> <li>– Final Plan Capex is largely consistent with the Draft Plan.</li> <li>– Pipeline is now 'middle aged' and some parts need replacement. This is reflected in the increased average spend in AA5 compared to AA3 and AA4.</li> <li>– AGIG presented that Opex in the Final Plan is \$350m excluding SUG which is \$99m.</li> <li>– AGIG noted that the expectation is to forecast flat Opex for AA5. AGIG noted they will lock in SUG.</li> </ul> <p><b>Financing Costs and Capacity</b></p> <ul style="list-style-type: none"> <li>– AGIG noted that the updated rate of return in the plan is 4.31% and is calculated using the ERA methodology.</li> <li>– The Final Plan includes a full haul equivalent demand of 647TJ/day, which is consistent with the Reasonable Assurance Review.</li> </ul> <p><b>Revenue and Prices</b></p> <ul style="list-style-type: none"> <li>– AGIG noted that revenue is decreasing in AA5 and the forecast price is 4% above the current reference price, but is at least 7% below negotiated prices.</li> <li>– AGIG noted they did receive some benefit in AA4 in relation to the negotiated prices that were above the reference price, but this was a function of the 5 year regulatory price setting.</li> </ul>

Table of Responses	Question/Comment Raised	AGIG Response
	9.1 Shipper Representatives questioned how the reduction in revenue impacts prices.	AGIG explained that lower revenues means lower costs that are used to set prices.
	9.2 Whether the information from the GSOO has been considered in the preparation of the plan.	The GSOO considers throughput, which is not forecast to reduce significantly, not capacity which is forecast to decrease noting that many shippers are currently over contracted. The part haul and back haul are very small contributing components.
	9.3 Whether the "Assurance of actual spend" would be provided annually throughout AA5 and what happens if the budgeted capex amount is unspent in AA5.	Reporting will be provided over actual spend levels during the AA5 period, the regularity of these is to be advised. If Capex is unspent it will impact their AA6 process. This could be a potential topic for ongoing engagement with Shippers.
	9.4 Is the recent ATCO access arrangement decision being considered as part of AGIG's submission.	Due to the very recent decision by the ERA in relation to ATCO, AGIG are still reviewing the decision and any implications. AGIG noted that it would make changes, where it could that were capable of acceptance and as per its objective.
	9.5 Shipper Representatives questioned if the SUG is 10TJ per day.	It is approximately that amount and the specific number is outlined in the plan.
	9.6 Whether the premium charged by the previous owner has been removed.	The historic issues in relation to the tariff price after the significant expansion were resolved prior to the AA4 period (2016) and all current Standard Shipper Contracts were negotiated after that time.
	9.7 Whether the Alcoa metrics are included in these assumptions.	They are included in both the demand and cost number in the plan, however the actual price that is paid by Alcoa is not as per the tariff set.
	9.8 The comparison to AA4 in relation to revenue, costs and impact on price.	Revenue and costs were lower in AA% than in AA4.
	9.9 Whether a 10TJ/day sensitivity on the demand assumptions could be provided.	AGIG agreed this could be and follow up.



# Reasonable Assurance Review

**This section provides an overview of the Reasonable Assurance Engagement that KPMG undertook to provide AGIG and DBNGP Directors with an independent report on the Basis of Preparation methodology for their AA5 forecast demand.**

# Reasonable Assurance Review

AGIG engaged KPMG to undertake a Reasonable Assurance Review to provide an independent assessment of AA5 forecast demand, including 2021 to 2025 capacity, throughput and utilisation forecast. KPMG facilitated an optional teleconference between AGIG and Shippers on 17 October 2019 to give Shippers the opportunity to ask questions about the Reasonable Assurance Review and DBNGP's Forecast Demand document.

<p><b>Scope and background</b></p>	<p>The purpose of the engagement was to provide DBNGP's Directors with a reasonable assurance opinion that the demand forecast to be included in DBNGP's Forecast Demand document had been calculated in accordance with the documented methodology.</p> <p>The AA5 forecast was in order to provide visibility of the expected capacity and throughput in the Dampier to Bunbury Pipeline through the AA5 regulatory period.</p> <p>KPMG has issued AGIG and DBNGP's Directors with a Reasonable Assurance Report. The report will accompany DBNGP's Forecast Demand document to support the AA5 submission.</p>
<p><b>KPMG's approach</b></p>	<p>In accordance with the Australian Standard on Assurance Engagements ASAE 3000, KPMG has:</p> <ul style="list-style-type: none"> <li>• Used professional judgement to assess the risk of material misstatement planned and performed the engagement to obtain reasonable assurance that the AA5 forecast is free from material misstatement, whether due to fraud or error,;</li> <li>• Considered relevant internal controls when designing the assurance procedures, however KPMG does not express a conclusion on their effectiveness; and</li> <li>• Ensured that the engagement team possessed the appropriate knowledge, skills and professional competencies to complete the engagement.</li> </ul>
<p><b>KPMG's conclusion</b></p>	<p>In KPMG's opinion, in all material respects, DBNGP's AA5 forecast demand (including forecast contracted capacity and throughput) has been prepared by DBNGP in accordance with the Basis of Preparation methodology described in DBNGP's Forecast Demand document.</p>
<p><b>Feedback</b></p>	<p>KPMG facilitated an optional teleconference between AGIG and Shippers on 17 October 2019 to give Shippers a walkthrough of the assurance review and report. Shippers were also given the opportunity to ask questions about the engagement findings and the DBNGP's Forecast Demand document.</p>
<p><b>Use of the report</b></p>	<p>The Reasonable Assurance Report has been prepared for DBNGP to provide an assurance conclusion on the AA5 forecast and may not be suitable for any other purpose. KPMG disclaim any assumption of responsibility for any reliance on the report or on the AA5 forecast to which it relates, for any other purpose than that for which it was prepared.</p> <p>In the event that a Shipper wishes to access the report on a non-reliance basis, subject to KPMG's discretion and prior written consent, the Shipper is required to sign a hold harmless letter.</p>

**Note:**

The forecast was based on information at hand at a specific point in time - August 2019. Thus, the forecast may change and needs to be adjusted as and when information used for management's assumptions change.



# Shipper Feedback

**This section provides an overview of the online Shipper Roundtables engagement survey sent to stakeholders to gather feedback on the Shipper Roundtables, as part of KPMG's reporting requirements.**

A list of ten questions was developed to help us understand the role that the Shipper Roundtables have provided through the current consultation process with AGIG.

The survey was sent to Shipper Representatives that attended one or more sessions and their responses remain confidential. Eleven responses were received between 27 September 2019 and 8 November 2019.

The results of the survey have been captured and are presented graphically.

# Online Engagement Survey Results

Question	Results										
<p>1. The Shipper Roundtables have provided a useful format to actively engage with AGIG on its 2021-2025 Plan as part of its AA5 submission.</p>	<table border="1"> <tr><td>Strongly Agree</td><td>45%</td></tr> <tr><td>Agree</td><td>55%</td></tr> <tr><td>Neutral</td><td></td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	45%	Agree	55%	Neutral		Disagree		Strongly Disagree	
Strongly Agree	45%										
Agree	55%										
Neutral											
Disagree											
Strongly Disagree											
<p>2. The format of the Shipper Roundtables has supported AGIG's "no surprises" engagement approach.</p>	<table border="1"> <tr><td>Strongly Agree</td><td>9%</td></tr> <tr><td>Agree</td><td>73%</td></tr> <tr><td>Neutral</td><td>9%</td></tr> <tr><td>Disagree</td><td>9%</td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	9%	Agree	73%	Neutral	9%	Disagree	9%	Strongly Disagree	
Strongly Agree	9%										
Agree	73%										
Neutral	9%										
Disagree	9%										
Strongly Disagree											
<p>3. Presenters from AGIG had sufficient knowledge and insight related to presentation material and questions asked at the Shipper Roundtables.</p>	<table border="1"> <tr><td>Strongly Agree</td><td>27%</td></tr> <tr><td>Agree</td><td>64%</td></tr> <tr><td>Neutral</td><td>9%</td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	27%	Agree	64%	Neutral	9%	Disagree		Strongly Disagree	
Strongly Agree	27%										
Agree	64%										
Neutral	9%										
Disagree											
Strongly Disagree											
<p>4. The topics presented at the Shipper Roundtables were relevant and appropriate for the AA5 submission.</p>	<table border="1"> <tr><td>Strongly Agree</td><td>36%</td></tr> <tr><td>Agree</td><td>55%</td></tr> <tr><td>Neutral</td><td>9%</td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	36%	Agree	55%	Neutral	9%	Disagree		Strongly Disagree	
Strongly Agree	36%										
Agree	55%										
Neutral	9%										
Disagree											
Strongly Disagree											
<p>5. Opportunities to engage with AGIG outside of the Shipper Roundtables were made known to participants.</p>	<table border="1"> <tr><td>Strongly Agree</td><td>36%</td></tr> <tr><td>Agree</td><td>64%</td></tr> <tr><td>Neutral</td><td></td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	36%	Agree	64%	Neutral		Disagree		Strongly Disagree	
Strongly Agree	36%										
Agree	64%										
Neutral											
Disagree											
Strongly Disagree											

# Online Engagement Survey Results

Question	Results										
6. Minutes of the session are representative of content and discussions of each Shipper Roundtable.	<table border="1"> <tr><td>Strongly Agree</td><td>18%</td></tr> <tr><td>Agree</td><td>55%</td></tr> <tr><td>Neutral</td><td>27%</td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	18%	Agree	55%	Neutral	27%	Disagree		Strongly Disagree	
Strongly Agree	18%										
Agree	55%										
Neutral	27%										
Disagree											
Strongly Disagree											
7. Requests for additional information have been provided by AGIG in the session minutes and/or as topics in the Roundtable sessions.	<table border="1"> <tr><td>Strongly Agree</td><td></td></tr> <tr><td>Agree</td><td>73%</td></tr> <tr><td>Neutral</td><td>9%</td></tr> <tr><td>Disagree</td><td>9%</td></tr> <tr><td>Strongly Disagree</td><td>9%</td></tr> </table>	Strongly Agree		Agree	73%	Neutral	9%	Disagree	9%	Strongly Disagree	9%
Strongly Agree											
Agree	73%										
Neutral	9%										
Disagree	9%										
Strongly Disagree	9%										
8. The 2021-2025 Plan is representative of the presentations and discussions at the Shipper Roundtables.	<table border="1"> <tr><td>Strongly Agree</td><td>18%</td></tr> <tr><td>Agree</td><td>64%</td></tr> <tr><td>Neutral</td><td>18%</td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	18%	Agree	64%	Neutral	18%	Disagree		Strongly Disagree	
Strongly Agree	18%										
Agree	64%										
Neutral	18%										
Disagree											
Strongly Disagree											
9. Shippers were provided with time and opportunities to review and comment on the Draft Plan.	<table border="1"> <tr><td>Strongly Agree</td><td>9%</td></tr> <tr><td>Agree</td><td>82%</td></tr> <tr><td>Neutral</td><td>9%</td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	9%	Agree	82%	Neutral	9%	Disagree		Strongly Disagree	
Strongly Agree	9%										
Agree	82%										
Neutral	9%										
Disagree											
Strongly Disagree											
10. The Shipper Roundtables would be a useful format for future engagement sessions.	<table border="1"> <tr><td>Strongly Agree</td><td>46%</td></tr> <tr><td>Agree</td><td>36%</td></tr> <tr><td>Neutral</td><td>18%</td></tr> <tr><td>Disagree</td><td></td></tr> <tr><td>Strongly Disagree</td><td></td></tr> </table>	Strongly Agree	46%	Agree	36%	Neutral	18%	Disagree		Strongly Disagree	
Strongly Agree	46%										
Agree	36%										
Neutral	18%										
Disagree											
Strongly Disagree											

## Additional comments provided:

“Thank you for the congenial atmosphere during all of the sessions.”

“We are yet to see an updated Draft Plan, inclusive of all matters discussed and feedback post the issue of the first Draft Plan in May 2019. With the next forum being set for late November, I would encourage the next version of the Draft Plan be issued one month in advance of the forum date to give stakeholders ample time to complete a thorough review of the final Draft Plan, so to also make the next forum an opportunity to take on final feedback before submitting the Final Plan to the ERA.”

# Conclusion



# Conclusion

AGIG engaged KPMG to develop an independent Customer Engagement Report based on a series of AGIG stakeholder engagement sessions – Shipper Roundtables. The Customer Engagement Report is to be used as part of AGIG’s five year plan for the Dampier to Bunbury Natural Gas Pipeline (2021 – 2025)

Specifically, KPMG’s role has included:

- Hosting a series of AGIG engagement sessions.
- Meeting with AGIG prior to each session to confirm and provide inputs into the session’s topics.
- Facilitating and minute taking of each stakeholder engagement session.
- Supporting one-on-one follow-up sessions (on request) between AGIG and select stakeholders to facilitate engagement on specific issues of importance.
- Developing the Customer Engagement Report.

During the engagement process KPMG was also requested to complete a Reasonable Assurance Review to provide an independent assessment of their approach and methodology related to their demand forecast. This included the forecast of contracted capacity and throughput for reference services during AA5.

At the first Shipper Roundtables, AGIG indicated its intention to adopt a “no surprises” approach, supported by its six engagement principles. It is our opinion that AGIG has been faithful to its approach and leading practice engagement principles through the following actions:

- Provided an open and inclusive environment for customer engagement through the Shipper Roundtables.
- Presented materials and supported discussions based on its planned communication approach as well as feedback and requests from Shippers.
- Demonstrated a willingness to meet with customers in one-on-one sessions, where requested, to provide background and/or address specific customer issues or concerns.
- Provided additional information openly and transparently, either through presentations at Shipper Roundtables or through the sharing of documentation, when clarification requests were made by customers.
- Documented Shipper feedback and responded accordingly.
- Supported a continuous engagement process through increasing the number of Shipper Roundtables against the initial plan.

Quantitative feedback, gathered through the Shipper Roundtables Engagement Survey, confirms that:

- Shippers' believed that the Shipper Roundtables were a useful format to actively engage in the development of AGIG’s future plans.
- AGIG representatives had sufficient knowledge and insight related to presentation material and questions asked.
- That the topics were relevant and appropriate as input into AGIG’s five-year Access Arrangement (AA5)

We have observed this process to be engaging and collaborative, with information freely shared and that customer feedback was responded to and/or acted upon.

# Appendix



# Overview of Attendance

## Shipper Representatives

Organisation	Name	Session & Date								
		1 29/10/18	2 29/11/18	3 21/1/19	4 25/2/19	5 25/3/19	6 20/5/19	7 05/8/19	8 03/9/19	9 25/11/19
<b>Alinta</b>	Richard Beverly	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Nicholle Langer			✓	✓		✓	✓	✓	✓
<b>BHP</b>	Katrina Dickson	✓		✓	✓	✓	✓		✓	✓
	Claire McArdle							✓		
<b>Citic Pacific Mining</b>	Dominic Rodwell	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Jia Wu	✓	✓							
<b>ERM Power</b>	Wendy Ng	✓	✓	✓	✓	✓	✓	✓		
<b>FMG</b>	Matt Anderson	✓								
	Neil Humphries									
	Atul Garg		✓	✓	✓		✓	✓	✓	✓
	Lucy Crantock									✓
<b>Gas Trading</b>	Allan McDougall	✓	✓	✓	✓	✓	✓	✓		✓
	Paul Bresloff-Barry								✓	✓
<b>Horizon Power</b>	Gordon Rule		✓		✓				✓	✓
	Hermann Prinsloo		✓	✓	✓			✓	✓	✓
<b>Inpex</b>	Claire Quinn									✓
<b>Kleenheat</b>	Vincent Blondeau				✓		✓	✓	✓	✓
	Hans Niklasson				✓		✓	✓	✓	✓
	Nick Rea				✓	✓	✓		✓	✓
<b>Murrin Murrin Operations</b>	Michael Hampson	✓	✓		✓					
<b>Newgen Kwinana</b>	Paul Arias	✓	✓		✓	✓	✓	✓		✓
	Daniel Kurz	✓	✓	✓	✓	✓		✓	✓	✓
<b>Quadrant Energy/Santos</b>	Alexandra Willis	✓			✓					
	Matthew Leech	✓			✓					
	Sam McCreedy								✓	✓
	Leah Kisiel									✓
	Erin Sutton									✓
<b>Rio Tinto</b>	Mathew Kavalam		✓	✓	✓	✓			✓	✓
<b>South 32</b>	Andrew Walker	✓	✓		✓				✓	✓
	Fiona Chong		✓							
<b>Synergy</b>	Carole Clare	✓	✓		✓	✓	✓	✓	✓	✓
	Amy Lomberg					✓	✓		✓	✓
	Alex Uchanski					✓	✓			
	Jenny O'Donoghue			✓						
	Adam Wong							✓	✓	✓

# Overview of Attendance

## AGIG and KPMG Representatives

Organisation	Name	Session & Date								
		1 29/10/18	2 29/11/18	3 21/1/19	4 25/2/19	5 25/3/19	6 20/5/19	7 05/8/19	8 03/9/19	9 25/11/19
AGIG	Ben Wilson	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Rachael Smith	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Craig de Lane	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Trent Leach	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Jon Cleary	✓	✓	✓	✓	✓	✓			
	Kristen Pellew	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Peter Bucki	✓	✓	✓				✓		✓
	Tawake Rakai			✓	✓					✓
	Annette Perrin			✓						
	Nick Wills-Johnson					✓		✓	✓	
	Phil Jones					✓	✓			
	Drew Pearman					✓	✓			
	Brooke Palmer		✓	✓	✓	✓	✓	✓	✓	
	Kristin Raman						✓			
KPMG	James Arnott	✓	✓	✓	✓		✓	✓	✓	✓
	Gemma Modra	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Sune Crous					✓				



# Minutes

## AGIG Shipper Roundtable Stakeholder Engagement Meeting – Round One

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h00 – 14h00

**Date:** 29 October, 2018

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Michael Hampson	Murrin Murrin Operations	Richard Beverley	Alinta
Dominic Rodwell	Citic Pacific Mining	Jia Wu	Citic Pacific Mining
Carole Clare	Synergy	Allan McDougall	Gas Trading
Paul Arias	Newgen Kwinana	Daniel Kurz	Newgen Kwinana
Katrina Dickson	BHP	Matthew Leech	Quadrant Energy
Alexandra Willis	Quadrant Energy	Andrew Walker	South 32
Matt Anderson	FMG	Wendy Ng	ERM Power

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Jon Cleary	Peter Bucki
Craig de Laine	Trent Leach	Kristen Pellew	

#### KPMG Representatives:

<i>Name</i>	<i>Name</i>
James Arnott	Gemma Modra

#### Apologies:

<i>Name</i>	<i>Organisation</i>
Mathew Kavalam	Rio Tinto

## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable.
- The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.

## Minutes of Meeting

### *Overview of AGIG and Introduction to AGIG's Stakeholder Engagement Process – Ben Wilson*

- Attendees acknowledged the requirements associated with adherence to anti- competitive legislation.
- Shipper Representatives were presented with an overview of AGIG and the intent of its stakeholder engagement process as part of its 2021 regulatory submission process.
- Shipper Representatives understood that the intent of the stakeholder engagement process was to facilitate a “no-surprises” regulatory submission.

### *Role of KPMG in the AGIG Stakeholder Engagement Process – James Arnott*

- KPMG presented its role in the AGIG stakeholder engagement process as an independent facilitator and recorder of each engagement process. KPMG indicated that it would develop an independent report as an outcome of this stakeholder engagement process.
- Shipper Representatives understood that should they require an alternative one- on-one engagement session as part of this process this was available to them, and could be facilitated by KPMG if required.

### *Objective of AGIG's Stakeholder Engagement Process – Craig de Laine*

- Shipper Representatives were presented with the objective, approach, timeline and purpose of the stakeholder engagement process. The content of this and future planned engagement sessions was shared with Shipper Representatives. It was stated that the purpose of Stakeholder Engagement Session One was to gain agreement on “Reference Services”.
- Shipper Representatives indicated their understanding that the scope of discussions were limited to the stakeholder engagement process and the development of AGIG's DBNGP Access Arrangement Proposal and specifically excluded separate shipper commercial arrangements.
- AGIG agreed that it would share the contents of the presentation made at this stakeholder engagement session with the Shipper Representatives.

### *Introduction to Services and Reference Services – Peter Bucki and Rachael Smith*

- AGIG presented an overview of current services, including the differentiation and definition of reference and non-reference services. Shipper Representatives indicated an understanding of the differences between reference and non- reference services.

- Shipper Representatives understood that reference services would be defined and included in the regulatory submission and were services that would provide access to the Dampier to Bunbury Natural Gas Pipeline (DBNGP).
- Shipper Representatives requested that summary and additional detail related to services should be included on the DBP website. Shipper Representatives acknowledged the work being done by AGIG in maintaining and updating existing services on the website.

#### *Reference Services – James Arnott*

- Shippers discussed which services should be proposed as reference services.
- Some shippers queried the potential applicability for zonal or postage stamp pricing and the impacts. AGIG agreed to come back to the group at a later roundtable to discuss current and potential price structures. AGIG expressed that its preliminary position was that the Pilbara Service, being an interruptible service, would unlikely meet the requirements of a Reference Service.
- Shipper Representatives agreed it appropriate that Reference Services for the 2021 regulatory submission would be a continuation of the current Reference Services consisting of:
  - Full Haul Service
  - Part Haul Service
  - Back Haul Service
- Shipper Representatives urged AGIG to continue to work with them in the customisation and development of new services and related contracts to meet unique business needs and as the market evolved.

#### *Conclusion – James Arnott*

- Shipper Representatives agreed in principle to the headline topics, dates and timing of future stakeholder engagement sessions.
- AGIG agreed to share the dates, agenda and details of topics of future stakeholder engagement sessions. It was AGIG's intent to share the agenda two weeks prior to the next engagement session.
- Shipper Representatives acknowledged satisfaction with topics, format, logistics and length of future stakeholder engagement sessions.



# Minutes

## AGIG Shipper Roundtable Meeting #2

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h00 – 14h00

**Date:** 29 November, 2018

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Michael Hampson	Murrin Murrin Operations	Richard Beverley	Alinta
Mathew Kavalam	Rio Tinto	Nicholle Langer	Alinta
Dominic Rodwell	Citic Pacific Mining	Jia Wu	Citic Pacific Mining
Carole Claire	Synergy	Allan McDougall	Gas Trading
Wendy Ng	ERM Power	Gordon Rule	Horizon Power
Paul Arias	NewGen Kwinana	Daniel Kurz	NewGen Kwinana
Hermann Prinsloo	Horizon Power	Andrew Walker	South 32
Atul Garg	FMG		

#### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Alexandra Willis	Quadrant Energy	Matthew Leech	Quadrant Energy
Fiona Chong	South 32	Katrina Dickson	BHP

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Peter Bucki	Rachael Smith	Jon Cleary	Brooke Palmer
Trent Leach	Kristen Pellew		

#### KPMG Representatives:

<i>Name</i>	<i>Name</i>
James Arnott	Gemma Modra

## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable.
- The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.
- A table has been included at the end of the minutes to provide a response to questions raised during this engagement session.

## Minutes of Meeting

### *Welcome and introduction – James Arnott and Jon Cleary*

- Attendees acknowledged the requirements associated with adherence to anti-competitive legislation.
- KPMG and AGIG acknowledged the active participation in the previous session, attendance, circularisation of minutes and the offer for Shippers to make use of one-of-one meetings upon request.
- Shipper Representatives accepted the minutes from the previous meeting, noting the amendment to the attendees, and an understanding of the ongoing process.

### *Reference Services – Peter Bucki*

- AGIG requested and received confirmation from the Shippers on the three reference services - Full Haul, Part Haul and Back Haul. These are to be included in the regulatory submission.
  - The potential for Inlet Sales to be included as a reference service was queried however it was recognised that this service would likely not match the requirements of the National Gas Rules for classification of a reference service.

### *Current Tariff Structures – Rachael Smith*

- AGIG presented the current tariff structures applied to Full Haul, Part Haul and Back Haul services. Shippers indicated an understanding of the tariff structures.
- Shipper Representatives discussed the allocation of costs between Full Haul and Part Haul services. No desire was expressed to change the current cost allocation between Full Haul and Part Haul services as part of this review. AGIG discussed the capacity reservation/commodity percentage split and explained that the commodity component reflected the variable costs associated with DBNGP fuel gas. Shipper Representatives acknowledged an understanding of the structure.

### *Customer Experience – Rachael Smith and Trent Leach*

- AGIG presented an overview of stakeholder feedback and potential areas of improvement per previous customer engagement sessions. These were discussed, with examples provided of actions to be considered. Reference was made to the anti-discrimination clause in the Standard Shipper Contract, with Shippers indicating that there was a willingness for AGIG to undertake further investigation to seeking unanimous agreement for its removal.

- AGIG presented the customer satisfaction survey results and the importance as it relates to the AGIG vision. AGIG noted that it would continue to undertake the survey annually and may ask more specific questions in the future.
- Shipper Representatives acknowledged the survey results and agreed that the survey should be set up to be anonymous in the future.
- AGIG recognised that there was the potential to simplify bills for customers and this was acknowledged by Shippers as an area for improvement.
- AGIG acknowledged feedback that more information could be included on the AGIG website regarding the services available.
- AGIG and Shippers both acknowledged that there were limitations with respect to current systems and technology platforms that did constrain enhancements proposed by AGIG and/or requested by Shippers. These limitations were a function of the existing technology platform, issues related to data privacy and the nature of some of the software used. Opportunities associated with mobility, nominations, invoicing and improved B2B interaction were noted as areas for potential/future improvement.
- Shipper Representatives noted that whilst the areas for improvement were all valid, it was hard to provide specific feedback without understanding the commercial impact and potential additional cost.
  - AGIG notes the next shipper roundtable will be focused on all aspects of our expenditure proposal, where these issues can be further discussed.
- AGIG presented their “Customer Experience Aspirations” and Shipper Representatives agreed they are reflective of their current expectations. During discussion, it was noted that the intent of AGIG was to be responsive at all times, and not just when things went wrong. The “Customer Experience Aspirations” would be amended to make this clear.

#### *Other - All*

- Shippers asked about the recontracting process and related timing. AGIG undertook to provide feedback to the respective Shippers on this point on an individual basis.
- A shipper sought further clarity around how the feedback from the roundtable meetings will be used in the regulatory process as the nature of the discussions touched on both regulatory submission requirements and general feedback.
  - AGIG confirms that the feedback received from Shippers which is relevant to the regulatory review process will be incorporated as AGIG develops its plans. AGIG also provides an accompanying attachment to these minutes outlining the regulatory review and stakeholder engagement approach, the building block revenue model and topics for upcoming Shipper Roundtables.

#### *Feedback session – James Arnott*

- KPMG facilitated a discussion on the opportunities for improvement, key messages being:
  - Technology improvement is necessary, but investments would need to be tempered with an understanding of the potential additional costs.
  - The impact on costs to Shippers is most important and should be considered in all proposals.

- Shippers are happy to investigate the removal of the anti-discrimination clause, understanding this requires unanimous consent

*Conclusion – James Arnott*

- KPMG reiterated the opportunity for Shippers to meet one-on-one to provide further feedback.
- Shipper Representatives indicated satisfaction with the ongoing logistics and process.

## Table of Responses

The following table provides a response to questions raised during this engagement session. The responses have been provided by AGIG following the Shipper Roundtable Engagement meeting:

Question/Comment Raised	AGIG Response
1 Consideration of Inlet Sales as a reference service.	AGIG is not proposing to include Inlet Sales as a reference service on the basis that the service is unlikely to meet the NGR criteria for it to be considered a reference service.
2 Cost allocation for Full Haul and Part Haul services.	Reflecting the view of Shippers, AGIG does not propose to change the current allocation between reference services.
3 Progression of anti-discrimination clause within Standard Shipper Contracts.	The Commercial Team will engage with Shippers one-on-one outside of this engagement process over the next 2-3 months with a view to understanding whether there is a unanimous agreement for its removal.
4 Continuation of annual customer satisfaction survey.	AGIG has committed to undertaking an annual anonymous customer satisfaction survey as a way to capture feedback and improve customer service.
5 Potential billing improvements	Billing improvements are a planned priority. AGIG will consider the ability to simplify monthly bills by June 2019 and report back to Shippers on progress as this may be a complex process.
6 Improved information on services on the AGIG website	Website improvements have been scheduled and additional information will be available on the DBP website from March 2019. This is part of business as usual improvements and will not have a cost impact for customers.
7 Future investment and/or roadmap for current systems and technology platforms.	Proposed investments will be presented at the roundtable meetings in January and February.
8 Amendment of Customer Experience Aspirations.	AGIG will update its Customer Experience Aspirations to “responds quickly” in replace of “responds quickly when things go wrong” reflecting that

9 Feedback on the recontracting process, timings and engagement process.

The Commercial team will be engaging with Shippers one on one to discuss the prospect of recontracting aspects of the Standard Shipper Contract in early 2019.

10 Depreciation of the pipeline

Further information about the regulatory depreciation of the DBNGP will be presented in subsequent Roundtable meetings and will form a component of our regulatory modelling.

11 Clarification on the purpose and use of roundtable feedback and the regulatory process.

AGIG are committed to ensuring our engagement programs are transparent and well communicated. Further clarity about how the feedback will be included in the lodgement of our plans to the regulator will be provided directly to Shippers before the next Roundtable. AGIG welcomes any questions and feedback throughout the engagement process.



# Minutes

## AGIG Shipper Roundtable Meeting #3

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h00 – 14h00

**Date:** 21 January, 2019

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Mathew Kavalam	Rio Tinto	Richard Beverley	Alinta
Dominic Rodwell	Citic Pacific Mining	Nicholle Langer	Alinta
Jenny O'Donoghue	Synergy	Katrina Dickson	BHP
Wendy Ng	ERM Power	Allan McDougall	Gas Trading
Hermann Prinsloo	Horizon Power	Daniel Kurz	NewGen Kwinana
Atul Garg	FMG		

#### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Alexandra Willis	Santos	Matthew Leech	Santos
Fiona Chong	South 32	Paul Arias	NewGen Kwinana
Gordon Rule	Horizon Power	Andrew Walker	South 32
Michael Hampson	Murrin Murrin Operations	Jia Wu	Citic Pacific Mining

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Jon Cleary	Brooke Palmer
Peter Bucki	Trent Leach	Kristen Pellew	Craig De Laine
Tawake Rakai	Annette Perrin		

#### KPMG Representatives:

<i>Name</i>	<i>Name</i>
James Arnott	Gemma Modra

## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable. The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.
- A table has been included at the end of the minutes to provide a response to questions raised during this engagement session.

## Minutes of Meeting

### *Welcome and introduction – James Arnott*

- KPMG summarised the outcomes of the previous meeting and next steps, including future meetings. The summary included Reference Services, Recontracting, Customer Experience and Regulation.
- Shipper representatives were reminded that opportunities for one-on-one engagement sessions were still available. Requests for such sessions should be made to KPMG and/or AGIG.
- Shipper representatives accepted the minutes from the previous meeting, noting the amendment to the minutes.

### *Overview – Ben Wilson*

- AGIG provided a summary of the objectives of the stakeholder engagement program and the “no surprises” approach. AGIG indicated that the intended outcome was that Shippers were provided with sufficient opportunity to provide input into our Draft and Final Plans, consistent with AGIG’s objective of developing a plan that is capable of being accepted by customers and stakeholders.
- Shipper representatives were actively encouraged to continue to give feedback, raise questions and discuss issues openly. Shippers were also encouraged to request further information where this is required to further understand AGIG’s plans. As set out in these minutes, there were several areas where Shippers requested further information from AGIG.
- AGIG outlined that the meeting was focused on proposals for operating expenditure (opex), capital expenditure (capex) and total expenditure (totex), which will be key components of determining the reference price. The indicative reference price presented was based on early modelling and key assumptions regarding the rate of return. Early modelling indicated:
  - A 2021 price of \$1.35 before inflation (in today’s dollars). This presents a 9% discount from current SSC price of \$1.49. This was broadly in line with current reference price of \$1.33 based on current estimated rate-of-return of 5.60%. The estimated rate of return was per the Economic Regulatory Authority (ERA) Final Rate of Return Guidelines.
  - AGIG noted that they will accept the regulatory guidelines for calculating rate-of-return. AGIG highlighted that this is consistent with its approach to working in alignment with regulators to deliver for customers, and developing a plan which is capable of acceptance.
- It was noted that the forward curve indicated the rate-of-return could rise to 5.99% by the time the Final Plan is submitted to the ERA. This would result in a reference price of \$1.40. AGIG highlighted the challenge in providing reliable price guidance to Shippers given sensitivity to the changes in the rate-of-return. AGIG undertook to keep Shippers regularly updated over the course of the review process.

- Currently AGIG expects that the commodity split will be 94/6 based on current system use gas (SUG) estimates. It was noted that this was a variation from the previous Access Arrangement (AA) split of approximately 90/10. The reduction is driven by a forecast reduction in Government costs, as explained at the meeting.
- AGIG provided a reminder of the timeline and noted that the Draft Plan would be published in the second quarter of 2019. The Draft Plan would set out all aspects of AGIG's plans, including on outputs, costs, revenue and pricing. The document would seek to balance readability while providing necessary detail for meaningful engagement.
- AGIG discussed the regulatory building blocks to provide context to the issues to be discussed at the meeting. It was noted that opex is expensed in the year it was incurred, and that capex is capitalised and depreciated (and recovered) over the life of the asset.
- AGIG presented on what has been delivered in AA4 based on a totex of \$598m and what was planned for delivery in AA5 on a totex of \$587m. Outcomes were grouped against AGIG's vision: Delivering for Customers; A Good Employer; and Sustainability Cost Efficient.
- In explaining the considerations relating to the determination of totex, AGIG referenced its own methodology and governance framework, noting the regulatory and Government requirements that must be met.
- AGIG reconfirmed that the focus of the Shipper Roundtable meetings is on the regulatory process. AGIG advised they are open to recontracting discussions directly with Shippers and encouraged direct contact with the AGIG Commercial team.

*Our services – Jon Cleary*

- AGIG provided an overview and explanation of the current service levels delivered. No comments were noted.

*Operating expenditure – Brooke Palmer*

- AGIG presented on opex performance and how future opex is forecast.
- The key drivers of the AA5 opex (\$430m) were presented. It was noted that:
- AGIG were expecting lower SUG cost due to lower gas prices.
- Turbine and GEA overhaul expenditure were forecast at \$38m.
- There was a reclassification of asset inspections and minor engineering changes from capex to opex.
- Opex reductions of around \$48m relative to benchmark opex used to set prices in AA4.
- Labour costs align to the WA Wage Price Index and not general inflation.

- Increases in field expenses and Government charges were discussed, with decreases in wages and salaries, non-field expenses, reactive maintenance and SUG.
- In discussions, clarification was provided that turbine and GEA overhauls are treated as opex rather than capex which is consistent with the ERA's accepted approach.

*Capital expenditure – Tawake Rakai*

- AGIG presented the history of the pipeline, challenges and performance to provide context for future investment.
- AGIG clarified that capex investment is based on rigorous business cases and alignment with asset management plans.
- There was discussion regarding how AGIG responds to changing business needs during an AA period, and the impact this has on capex investment during that period. AGIG advised that capex is constantly reviewed during an AA period and subject to change where appropriate to meet business and customer needs. AGIG explained that it needed to ensure all capex was prudent and efficient, which is required by the ERA.
- AGIG presented how the regulatory capex proposal has been developed, including the risk matrix and prioritisation methodology. AGIG noted that "stay in business" (SIB) capex is forecast to increase in AA5 compared to the current period. It was highlighted that a lot of equipment installed during the DBNGPs expansion phase during AA2 and AA3 are now at end of life putting upward pressure on the SIB requirement over the next five year period.
- AGIG presented a summary of the key projects and drivers to which they related - *Delivering for Customers, A Good Employer and Sustainability Cost Efficient*. A comparison of the expenditure in the current period (AA4) to forecast (AA5) was included.
- AGIG presented additional detail on the Compressor Stations (\$38.6m) and Northern Communications (\$22.6m) Projects. The presentation included a project overview and delivery outcomes.

*Open discussion – James Arnott*

- KPMG provided a summary of the AGIG presentation, including reference to:
- The delivery of strong safety, reliability and cost performance in AA4.
- That proposed investments in AA5 were focused on maintaining AGIG's performance.
- That totex of \$587m in AA5 was lower than \$598m in AA4.
- Early price modelling delivered an upfront price cut of 9% for those with negotiated price under the SSC and broadly consistent with prevailing reference price.
- KPMG lead a discussion around key consultation questions:-

- *How comfortable are Shippers with our 2021-25 expenditure plans?*
- *Do Shippers have any feedback or views on the level of totex AGIG are proposing in AA5?*

- *Do Shippers have any feedback or views on the supporting information AGIG are proposing to provide with their expenditure proposal?*
- *Is there any further information AGIG can provide to assist Shippers?*

- Overall there was a level of comfort with the proposed plans, with discussion largely focused on where there were material changes in proposed expenditure.
- Key comments and subsequent discussion, based on the questions set out above, with Shipper representatives included:
  - How the 94/6 split of fixed and variable opex costs are determined.
  - Potential impact of changes in the market and additional producers coming on- stream, and how this may impact the modelling.
  - Potential impact of new customer growth if forecasts are based on current customers only.
  - Potential cost duplication for overhauls and how this is managed by AGIG.
  - How the tendering and contracting process is undertaken in relation to the potential capex investments in the plan.
  - How AGIG responds to changing opex or capex needs during an AA period and is there flexibility during a period if less/more expenditure is needed?
  - The need for more information and explanation where there has been a significant change in expenditure compared to the current period, for example the 42% increase in field operating expenses that was presented.
  - Why there is an increase in capex as opposed to a decrease over the next five years per expectations from some Shipper representatives.
- It was noted that Shipper representatives may wish to further review and discuss the proposal with their respective companies, and seek advice from other parts of the business, for example finance or regulatory specialists. AGIG encouraged Shippers to bring additional representatives to future meetings, if that would assist the engagement process.
- AGIG noted that once the Draft Plan was prepared, engagement with Shipper representatives would continue. The potential use of the existing engagement format was suggested.

#### *Conclusion – James Arnott*

- KPMG reiterated the opportunity for Shipper representatives to meet one-on-one to provide further feedback.
- AGIG requested as much feedback as possible on the development of their plans to achieve a “no surprises” approach. Shippers were encouraged to request any additional information or detail that would be useful for their own processes.
- Shipper representatives indicated satisfaction with the ongoing logistics and process.

## Table of Responses

The following table provides a response to questions raised during this engagement session. The responses have been provided by AGIG following the Shipper Roundtable Engagement meeting:

Question/Comment Raised	AGIG Response
1 Detail in relation to the 94/6 split of fixed and variable opex costs.	AGIG provided clarification during the meeting of the reasons for the 94/6 split of fixed and variable opex costs, including that the change in the split reflected expectations of declining SUG costs. AGIG to send additional information to all Shippers prior to the next Roundtable meeting.
2 Impact of changes in the market and additional producers coming on-stream.	AGIG to include how additional producers coming on stream has been included in modelling at the next Shipper Roundtable as part of the presentation on demand forecasting.
3 Clarification on potential for cost duplication for overhauls (i.e. the same activity included as both opex and capex)	AGIG provided clarification during the meeting that overhauls are expensed through opex in the period (as per the regulatory guideline) and that there is no cost duplication. It was noted that this would be reviewed by the ERA during the review process.
4 Clarification of the expenditure process including tender and contracting process.	AGIG provided clarification during the meeting regarding the tender and contracting process for capital expenditure. AGIG to provide follow up information to Shippers for reference prior to the next Roundtable meeting.
5 Additional detail in relation to the 42% increase in field expenses and other opex and capex projects where there is reasonable change from the current period.	AGIG to provide a summary table of capex and opex proposals where there is an increase in spend greater than 20% compared to the current period. The table should include explanatory comments regarding the delta. AGIG to present the summary table at the next Roundtable meeting.

- |  |   |
|--|---|
| <p>6 Clarification on an increase in capex as opposed to a decrease over the next five years per expectations from some Shipper representatives.</p>         | <p>AGIG to provide further information regarding the proposed increase in capital expenditure in AA5 compared with the last AA period. AGIG to send additional information to all Shippers prior to the next Roundtable meeting. AGIG to also present the information at the next Roundtable meeting.</p> |
| <p>7 Opportunity for specialists (e.g. finance teams) from Shipper organisations to be engaged as part of the process.</p>                                   | <p>AGIG encouraged Shippers to invite specialist representatives to attend future Roundtable meetings.</p>  |
| <p>8 Opportunity for future engagement sessions once the current series of Roundtables has been completed with an opportunity to discuss the Draft Plan.</p> | <p>Based on Shippers feedback, the use of the existing Roundtable format would be continue when the Draft Plan is released, likely through to the submission of the Final Plan.</p>   |



# Minutes

## AGIG Shipper Roundtable Meeting #4

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h00 – 14h00

**Date:** 25 February, 2019

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Mathew Kavalam	Rio Tinto	Richard Beverly	Alinta
Dominic Rodwell	Citic Pacific Mining	Nicholle Langer	Alinta
Wendy Ng	ERM Power	Katrina Dickson	BHP
Gordon Rule	Horizon Power	Allan McDougall	Gas Trading
Hermann Prinsloo	Horizon Power	Daniel Kurz	NewGen Kwinana
Atul Garg	FMG	Paul Arias	NewGen Kwinana
Michael Hampson	MMO	Carole Clare	Synergy
Matthew Leech	Santos	Alexandra Willis	Santos
Andrew Walker	South 32	Vincent Blondeau	Kleenheat
Nick Rea	Kleenheat	Hans Niklasson	Kleenheat

#### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Matthew Anderson	FMG	Jia Wu	Citic Pacific Mining
Fiona Chong	South 32		

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Jon Cleary	Brooke Palmer
Tawake Rakai	Trent Leach	Kristen Pellew	Craig de Laine

#### KPMG Representatives:

James Arnott

Gemma Modra

## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable. The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.

## Minutes of Meeting

### *Welcome and introduction – James Arnott*

- KPMG summarised the outcomes of the previous meeting and next steps, including planned future meetings. The summary included:
  - An overview of the Expenditure Proposal
  - An outline of the intent of AA5 investments
  - That AA5 totex (capex plus opex) is anticipated to be lower than AA4
  - Early price modelling delivered an upfront price reduction of 9% for SSC
- It was confirmed that minutes circulated from Shipper Roundtable Meeting #3 also included feedback on previous topics and questions asked. The attachments also included content that would be discussed in the Shipper Roundtable Meeting #4.
- KPMG encouraged Shippers to provide feedback and ask questions - this was aligned to the “no surprises” approach to the development of the draft and final plan.
- KPMG posed questions related to the process and information provided to-date. When asked, Shippers indicated they were comfortable with the level of detail provided on key parameters, issues and with the nature of discussions of the meetings themselves.

### *Overview – Ben Wilson*

- AGIG noted that additional information had been provided in the minutes and would be discussed as part of the presentation. AGIG noted that:
  - There was an overall decline in opex – some categories had increased and/or decreased when compared with AA4 and that details have been provided and would be discussed in today’s meeting.
  - One area of opex that is increasing is Turbine and GEA overhauls. In response to queries, AGIG indicated that they will provide further visibility of the scheduling of overhauls.
  - There is a proposed increase in capex. A key driver is a significant amount of equipment installed during the expansion in the mid-2000s now requires replacement, noting that capex is driven by the age profile of the assets.
- AGIG noted that the tariff is calculated based on total costs and divided by the forecast demand. As such, forecasting demand is critical. When discussing and preparing for the presentation on forecast demand, AGIG recognised that individual Shipper demand forecasts remained commercial in confidence.
- AGIG noted that the present trend, based on available market information, indicated a reduction in throughput. This was due to an increase in renewables and Perth basin production. AGIG noted that it did not expect peak demand decrease. AGIG commented that as project coal fired production is projected to

decrease, the reliance on gas, in those peak periods, may increase. Thus increasing volatility.

- AGIG noted that the content of Shipper Roundtable #4 would include a presentation on Rate of Return (ROR). AGIG reconfirmed that the ROR was set by the Regulator and it was AGIG's position to accept the RoR as set by the regulator.
- AGIG outlined that the content of Shipper Roundtable #4 would also include a discussion on incentives. AGIG noted that in relation to the DBP there was not an incentive regime. AGIG commented that some elements of an incentive may contribute to improved efficiency, reliability and customer service. AGIG noted that through the presentation, they would be seeking input from Shippers as to their support and comments on potential incentives.

*Capex and opex – further information – Brooke Palmer*

*Attachment C – Summary of significant changes in forecast expenditure*

- AGIG presented on opex noting that, excluding the impact of system use gas, opex would be relatively flat over AA5
- AGIG presented on select opex categories where there had been significant changes between AA4 and AA5 forecasts. These included:
- Field expenses:
  - Asset inspections and minor engineering changes, which were previously classified as capex, had been included in field expenses (opex). This reflects that these costs are opex in nature.
  - A number of turbine and GEAs (based on run hours) required overhauls. When questioned on the cost split between turbine and GEA overhauls, AGIG provided an indicative answer of \$6.5/ \$1m at the meeting, which has subsequently been confirmed. In the discussions that followed, AGIG noted that:
    - Turbines are overhauled after 30,000 run hours. This was based on the manufacturer recommendation and to reduce the chance of significant failure and associated costs.
    - There was a long lead time on parts and that scheduling included a consideration of the operation of the pipeline; current use; and expectation of use. This had resulted in approximately two overhauls per year in the AA5 period.
    - When questioned on the use of the turbines, smoothing of the operating profile, the impact of stop-start costs and other network impacts on overhauls, AGIG responded that they aim to facilitate a smooth replacement schedule by managing run hours but the turbines on the pipeline do experience different demands based on location. AGIG also noted that it closely monitors start costs and aimed to reduce stresses on the assets related to starts and peak periods. AGIG explained that it did not run all turbines all the time, but ran different turbine configurations that were optimised for different levels of throughput. This was done to optimise efficiency, reliability and fuel.
    - AGIG noted that, given their locations, CS9 and CS10 were the most critical stations and therefore it was particularly important to ensure their start reliability when they are called on during unplanned peaks.
    - AGIG also commented that it runs two compressors at each station to ensure reliability, enable planned and reactive maintenance activities, and optimise run hours.

- AGIG noted that gas engines were the primary power source at many stations. Overhaul schedules are based on forecast run hours (and regularly updated for actual run hours). This forecast has resulted in approximately three overhauls per year in AA5.
  - Shippers questioned the increase in cost being attributed to turbine overhauls as the provided schedule showed nine turbines in AA4 and only eight planned for AA5. AGIG responded that the difference in costs may be due to insurance claims on some of the AA4 overhauls and undertook to provide more detail on this.
- Regulatory costs, which were incorrectly classified in a previous presentation, had been corrected to align with ERA methodology. This resulted in minimal movement in Government Charges and Non-field expense categories.
  - When presenting the summary case for capex for AA5 compared to AA4, AGIG specifically noted:
    - Some costs of AA5 were related to the cyclical nature of the maintenance, replacements and/or overhauls e.g. compressor stations; batteries; and control systems.
    - An upgrade was required on Northern Communications. No significant work had been completed on Northern Communications since the looping in the mid-2000s.
    - Redevelopment at Jandakot was required to improve safety and facilities.
    - Less meter replacements are required in AA5 compared to AA4.
    - A number of IT focused initiatives had been forecast as a means to improve security and improve customer experience and communication.
  - Shippers questioned the future timing of projects and the assumption that if projects were undertaken in AA5, that they would also be required in AA6. AGIG confirmed this was generally correct depending on the replacement cycle and life of asset, in addition to external factors (e.g. changing shipper requirements).
  - AGIG noted that \$26m of AA4 projects were not required or forecast for the AA5 period.

#### *Attachment D – Capex over time*

- AGIG presented on Capex over time, specifically the split between “stay in business capex” and “expansion capex”. AGIG noted that when components installed during expansion projects are due for replacement, this work becomes part of stay in business capex.
- Shippers questioned whether the numbers were actual or the previously approved budget. AGIG confirmed that what was presented were actual results for the prior periods. AGIG noted that past capex spend was higher than what was previously approved by the ERA.
- Shippers questioned the 94/6% SUG component. AGIG confirmed that SUG is more than 6% of cash cost but is only 6% of revenue. Further inputs into the building blocks of cost were then discussed.

*Demand – Rachael Smith*

- AGIG noted that the discussion over demand would be at a market overview level and would present generic assumptions to maintain confidentiality.
- AGIG highlighted that for the previous period, there had been 100% availability of the pipeline, 100% reliability of the pipeline and over 4,000 hours without curtailments.
- AGIG provided a high level overview of the market supply and demand centres.
- AGIG provided a view on throughput and end use by industry sector for 2018. AGIG indicated that these factors had been taken into consideration as part of the 2021 forecasting
- AGIG presented a perspective on the diversification of current and future supply. The impact of Wheatstone, Tubridgi and Waitsia were included in discussions.
- AGIG presented on the current and future fuel mix, noting new renewable facilities in the SWIS. Per their modelling, AGIG expected wind generation to increase, but when wind generation was not available, there would still be a requirement on gas for electricity production to balance the market.
- In discussions, Shippers:
  - Requested the actual generation profile for the 2018 fuel mix, not the nameplate capacity.
  - Questioned if alternate fuel for wind would be gas or coal. AGIG responded that, in general, coal is harder to increase or decrease volume intermittently and hence it would likely be gas.

*Rate of Return – Craig de Laine*

- AGIG noted that historically the Rate of Return (ROR) calculation had been an issue of debate between energy businesses and regulators. The ERA has defined the Rate of Return Guidelines for the next four year period. An independent panel had reviewed and assessed the guideline. AGIG participated in the consultation process, as did other Shippers.
- AGIG noted its intention to adopt the ERA's RoR Guidelines in formulating its plans, consistent with AGIG's past approach taken with other assets owned by the Group. This is consistent with submitting a plan that is capable of being accepted.
- AGIG noted that it used the forward curves to determine the rate to be included in the submission. AGIG would continue to be open and transparent about the assumptions used.
- AGIG presented a timeline outlining its process leading up to submitting a final plan to the ERA in December 2019. AGIG presented the subsequent indicative ERA process, noting that this timeline could be subject to delays.

*Incentives – Brooke Palmer*

- AGIG provided an overview of the regulatory framework and how incentives could be included. Regardless of incentives, AGIG did note that their expenditure was rigorously tested against the National Gas Rules. AGIG noted that currently there are no incentive schemes in place in relation to the DBNGP.
- AGIG presented an overview of different incentive schemes that could be considered, outlining that they intended to include incentives as part of their AA5



*Next steps – Craig De Laine*

- AGIG encouraged Shippers to continue to bring issue and questions to AGIG and/or the Shipper Forum.
- In presenting the ERA process, AGIG indicated that the Draft Plan would be provided by 13 May, 2019. AGIG was working towards late December for the Final Plan.
- When asked if Shippers would prefer to meet before or after the issuing of the Draft Plan, Shippers would prefer the session a week after the issuing of Draft Plan. AGIG confirmed that they would schedule a meeting around 20 May, 2019.
- AGIG highlighted that once the Draft Plan had been released there would be a consultation period of six weeks. Feedback would then be incorporated into the further development of the Final Plan.

*Conclusion – James Arnott*

- KPMG summarised the session and asked if there were any other requests for information.
- In summarising the presentation, KPMG noted that:
  - Renewables had a significant influence on future demand and the fuel mix.
  - AGIG’s intention is to accept the ROR proposed and were supportive of the process behind its determination.
  - Shippers were encouraged to provide feedback on the process to-date as well as their inputs on AGIG’s proposed position on incentives.
  - One-on-one sessions were available to Shippers upon request.

**Table of Responses**

The following table provides a response to questions raised during this engagement session. The responses have been provided by AGIG following the Shipper Roundtable Engagement meeting:

Question/Comment Raised	AGIG Response
1 A question was raised around the scheduling of overhauls.	AGIG noted the question and will ensure information relating to the scheduling of overhauls is included in the draft plan or supporting information.
2 Shippers questioned the increase in cost being attributed to turbines and GEA overhauls.	AGIG to ensure this is addressed in the draft plan or supporting information.
3 Shippers requested that AGIG provide details on the difference between AA4 benchmark capex and actuals.	AGIG to ensure this is addressed in the draft plan or supporting information.

- |   |   |
|---|---|
| <p>4 A request was made for information on the generation profiles used for the 2018 fuel mix, not the nameplate capacity.</p>    | <p>AGIG to provide insight and additional information on the generation profiles used for the 2018 fuel mix prior to the next Shipper Roundtable meeting.</p> |
| <p>5 A request was made for AGIG to provide information on the historical use and future forecasts related to system use gas.</p> | <p>AGIG to additional information on the historical use and future forecasts for system use gas prior at the next Shipper Roundtable meeting.</p>             |
| <p>6 Shippers requested a Roundtable meeting be held a week after the Draft Plan is released.</p>                                 | <p>AGIG to schedule a Shipper Roundtable meeting on 20 May to discuss the draft plan.</p>   |



# Minutes

## AGIG Shipper Roundtable Meeting #5

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h00 – 14h00

**Date:** 25 March, 2019

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Mathew Kavalam	Rio Tinto	Richard Beverly	Alinta
Wendy Ng	ERM Power	Katrina Dickson	BHP
Allan McDougall	Gas Trading	Paul Arias	NewGen Kwinana
Daniel Kurz	NewGen Kwinana	Carole Clare	Synergy
Amy Lomberg	Synergy	Nick Rea	Kleenheat
Alex Uchanski	Synergy	Dominic Rodwell	Citi Pacific Mining

#### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Matthew Anderson	FMG	Jia Wu	Citic Pacific Mining
Vincent Blondeau	Kleenheat	Atul Garg	FMG
Hermann Prinsloo	Horizon Power	Michael Hampson	MMO
Nicholle Langer	Alinta	Andrew Walker	South 32 FMG
Fiona Chong	South 32	Neil Humphries	

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Jon Cleary	Brooke Palmer
Nick Wills-Johnson	Trent Leach	Kristen Pellew	Craig de Laine
Phil Jones	Drew Pearman		

#### KPMG Representatives:

Gemma Modra

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## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable. The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.

## Minutes of Meeting

### *Welcome and introduction – Gemma Modra*

- KPMG summarised the outcomes of the previous meeting and next steps, including planned future meetings. The summary included:
  - Additional information regarding CAPEX and OPEX proposals
  - The demand forecast (to be discussed in this session)
  - Overview of Rate of Return guidelines and forecast model
- KPMG encouraged Shippers to provide feedback and ask questions - this was aligned to the “no surprises” approach to the development of the Draft and Final Plan.

### *Overview – Ben Wilson*

- AGIG noted that additional information had been provided in the minutes and would be discussed as part of the presentation. AGIG noted that:
  - The current meeting will include the breakdown of the full building block modelling for the next review period which will be compared to the current period
  - There will be a recap on demand and incentives
  - There will also be discussions around the long term plan for the pipeline and further considerations which will include discussions around how the industry moving towards decarbonisation will impact future customer demand and gas supply
- AGIG encouraged shippers to give active feedback on the presentation and to ask questions.
- AGIG noted the following:
  - In January 2019, an indicative 2021 regulated tariff of \$1.35 (before inflation) was provided. This indicated a 9% reduction which was based on an estimated rate of return of 5.6%, commodity splits on current system use gas estimates and expected demand at the time.
  - AGIG has adjusted price to reflect more recent analysis of the rate of return and demand, which has resulted in an indicative price of \$1.40 (before inflation).
  - Demand update chart (per presentation slide 7) gives visibility on the price which shows current period contracting capacity.
  - Shippers asked to clarify whether the AA4 numbers in the chart are actuals or forecast. AGIG responded that these figures are the current contracted capacity figures and therefore are actual. The assumptions around forecast figures will be further discussed in the demand section.

#### *Demand Update – Rachael Smith*

- AGIG noted that demand information is high level and not on an individual Shipper basis due to confidentiality of the underlying information.
- The change in forecast is in relation to additional information from the Perth Basin Producers with potential for the additional Perth Basin gas to be connected earlier than anticipated enabling for Perth Shippers to transfer from T1 to P1.
- Factors incorporated into the modelling included competitive supply through the Parmelia Pipeline which had been upgraded in the last few years.
- Shippers questioned whether intra-day peak demand has an impact on the pricing given the volatility. AGIG referred to the Fuel Mix slide (presentation slide 10) which shows demand for baseload energy has decreased as renewables increased. This impacts how the pipeline is operated. There has been focus on managing the peaking during winter and summer period however efficiency is lost due to the peaking and has contributed to additional SUG.
- Shippers sought clarification whether all production from Perth Basin is classified as T1. AGIG stated that you can use a T1 service to take delivery but expectation is that some T1 may be relinquished and that more P1 services will be taken out or other pipelines utilised.
- AGIG referred to the Fuel Gas mix and noted that it is sourced from AEMO Data Dashboard. Shippers asked whether AGIG has done comparisons to other external sources. AGIG stated that they do take into account analysis from market participants and representations from industry groups. Broadly AGIG is assuming that increasing renewables penetration comes more at an expense to coal rather than gas.

#### *System Use Gas (SUG) discussion*

- AGIG SUG assumptions and modelling are consistent with previous access arrangements post the Stage 5B expansion. ERA and its technical consultant indicated that they were satisfied with the calculations in AA4.
- Shippers asked whether the change in the SUG requirement is significant enough to impact on the 94/6 commodity split. AGIG noted the change is not enough and this split has not changed since Shipper Roundtable #3

#### *Incentives – Brooke Palmer*

- AGIG noted that the following were discussed at the Shipper Roundtable Meeting #4:
  - Explanations around the idea of incentive mechanisms, why they exist and the different places around the world that they exist.
  - Detailed discussion around the innovation scheme and how the scheme operates in the UK.
- Noted that AGIG has considered and discussed the questions raised in the last meeting and are comfortable to put forward a proposal in the AA5 draft plan which includes the OPEX Efficiency Sharing Scheme and the Innovative Pipeline Scheme. AGIG will not be proposing a Capital Expenditure Sharing Scheme. The Customer Services Scheme will also not be proposed as the current system is considered to be reliable and will add limited value to current customer satisfaction.

A summary of AGIG's position is referenced below:

- Opex Efficiency Benefit Sharing Scheme To be proposed
  - Capital Expenditure Sharing Scheme Not to be proposed
  - Pipeline (or Network) Innovation Scheme To be proposed
  - Customer Service or Output Incentive Scheme Not to be proposed
- AGIG noted that the EBSS will increase and smooth their incentive to achieve OPEX efficiencies ensuring any gain or loss is kept for a period of 5 years. AGIG estimates that if the EBSS had applied in AA4 the impact would have been \$1m. There is a nil price impact for AA5 as it will be applied in AA6 and, depending on performance, would result in a reward or penalty.
  - The Pipeline Innovation Scheme gives greater ability to invest in innovation, particularly where the payback period is longer than the regulatory period. Key activities delivered were expected to be around decarbonising energy supply and implementing better ways to provide services. There has been an assessment around the costs vs benefits and it is expected that benefits will outweigh costs (which would be a condition of funding being provided under the scheme).
  - Shippers raised a question around the scale of the innovation incentives in dollar amount. AGIG responded that the amount is usually a maximum 0.5% of revenue. More detail will be provided in the Draft Plan.

*Delivering for Customers – Craig de Laine*

- Part of AGIG's objectives is to deliver for customers today and customers in the future. The future focus is a key consideration in this process.
  - AGIG's approach to asset categorisation is:
    - Set current asset lives consistent with industry practice and expected technical lives. The main change has come from "other depreciable" assets, which includes IT and vehicles, which had initially been allocated a 30 year life. This category has been broken down into more specific categories and assigned lives that are more in line with the nature of the assets. The decisions around these asset lives are in line with the decisions from the ERA during their assessment of the Goldfields Gas Pipeline.
    - AGIG have also reviewed the recovery profile of the asset to ensure it is consistent with its economic life. The asset includes an initial investment and the major expansion in mid-2000s. The initial investment is due to be recovered in 2055. The major expansion loop line is currently expected to be recovered in 2085, which is far beyond the other recovery period in an uncertain future. AGIG commented that the loop line cannot be run independently from the main line.
    - Shippers asked what percentage of the line is looped. AGIG responded that the line is 85% looped but it does not connect at each compressor station.
    - AGIG has aligned the recovery of the looped assets with the recovery life of the main line to 2055. This approach has the additional benefit of better placing the DBNGP to serve future customers in a decarbonised energy economy. The 2050 recovery period aligns with policy around decarbonising energy supply.

- Shippers asked whether the early recovery of the depreciation will impact on the price in the future. AGIG stated prices would be lower than they otherwise would from AA6 onwards given the decrease in the capital base. Shippers stated that these impacts need to be made clear by AGIG.
- AGIG stated that early indications are it is possible to run around 5% hydrogen in today's pipeline without impacting the asset, noting that further work needs to be done. The biggest impact will be on customers (in changing burners). There is also a possibility to go up to 100% hydrogen in the DBP, with some investment, albeit at a lower pressure which would have an impact on the technical life and the current compressor stations would not work with 100% hydrogen. This would lead to a pipeline with lower capacity but presents options for the asset's use in the future.
- AGIG commented that they are trying to influence the future energy mix to be one that keeps their assets in business but that also makes sense for the economy as a whole. In WA there is an additional hurdle with shipping needed from the north of WA to the south. Large scale renewable energy projects in the north geared around exporting to Japan and Korea and also supplying the south may be a possibility. As the owner of the DBNGP there is clearly uncertainty about the course of action in the future.

#### *Draft plan – bringing it all together – Craig*

- Recap on Meeting #4 which covered discussions around the building blocks to the regulated price. There is an expected \$1,784m revenue forecasted for AA5 compared with \$1,914m revenue for AA4.
- The key drivers of these changes between AA4 and AA5 are:
  - Depreciation initiatives discussed above. AA5 incorporates the alignment of the main and loop assets to a 2055 recovery period. Given the uncertainty around the future of these assets, AGIG considers the forecast to be reasonable.
  - RoR – has decreased from 5.83% to 5.39%. The combination of the depreciation initiative and the rate of return drop results in a \$20m decrease in financing costs
  - TOTEX has decreased from \$671m to \$597m, largely driven by a decrease to SUG of \$86m, decrease to OPEX of \$33m, offset by an increase to CAPEX of \$46m
- Shippers questioned how AA4 forecast was tracking against AA4 actual figures. AGIG noted that this was covered in Meeting #4. AGIG is above benchmarks for CAPEX as they are spending more than benchmark allowance. AGIG noted that OPEX had decreased in 2017 due to the merger therefore AA5 is forecasted to show a lower OPEX reflecting what is currently being achieved. AGIG noted that the level of services and reliability of the pipeline from AA4 to AA5 remains the same.
- Shippers asked how AGIG has gained comfort internally around the change in the commodity split from 90/10 in AA4 to 94/6 in AA5. AGIG responded that the capacity/commodity split reflects the approach adopted by the regulator previously.

#### *Next Steps – Craig de Laine*

- Expected to release the Draft Plan on 13 May 2019

- The process so far has been as follows:
  - Stage 1 was about how AGIG was going to engage with stakeholders which led to the Shipper group being formed which led to issues being identified
  - Stage 2 is what is currently under way which is stakeholder engagement to inform the Draft Plan
  - Stage 3 commences when the draft plan has been released and further stakeholder feedback will be requested on whether the plan is consistent with what has been communicated and what is expected.
- Submission of the Final Plan to the ERA is end of 2019.
- Next roundtable is scheduled for 20 May 2019 to discuss the contents of the draft plan prior to submission. AGIG encouraged Shippers to give active feedback and engage with the final stages of submitting the plan. They noted that there will be a series of questions in the plan around areas that AGIG is seeking feedback on and encourages questions beyond those presented by AGIG.
- AGIG did note that there may be one area of uncertainty in the current plan and this is the innovation incentive. Noting that ATCO's current plan contains an innovation incentive, if the ERA does not accept their plan based on the inclusion of this scheme, AGIG will most likely not include this incentive as a part of the proposal. AGIG is of the opinion that the innovation incentive is a positive scheme as it is an effective way of driving behavioural change and getting peers in the group to be more forward looking.

#### *Conclusion – Gemma Modra*

- KPMG summarised the session and asked if there were any other requests for information.
- In summarising the presentation, KPMG noted that:
  - Changes to demand assumptions and how that has impacted the proposed regulatory price
  - Discussion around current proposed incentives
  - Future customer focus on decarbonisation of the energy market and the impact it may have on the Shippers, AGIG and the pipeline
  - Buildings blocks AA4 vs AA5
  - Next steps

KPMG encouraged the Shippers to ask any additional questions on today's session or request additional information. There were no additional questions.

## Table of Responses

The following table provides a response to questions raised during this engagement session. The responses have been provided by AGIG following the Shipper Roundtable Engagement meeting:

Question/Comment Raised	AGIG Response
<p>Shippers questioned the assumptions used for peak demand and impact this has on pricing given volatility.</p>	<p>AGIG referred to the Fuel Mix presentation slide which showed demand for baseload energy has decreased as renewables increased. This impacts how the pipeline is operated. There has been focus on managing the peaking during winter and summer period however efficiency is lost due to peaking and has contributed to additional SUG.</p>
<p>Shippers raised a question about how AGIG is confident that the weighting of the demand profile has been appropriately applied.</p>	<p>AGIG responded that they have worked closely with AWE and have incorporated a probability scale into the modelling. The modelling process has been rigorous to accurately forecast the demand profiling as it cascades across the whole business and operation of the pipeline.</p>
<p>Shippers sought clarification whether all production from Perth Basin is classified as T1.</p>	<p>AGIG stated that you need T1 service to take delivery but expectation is that some T1 may be relinquished and that more P1 services will be taken out or other pipelines utilised.</p>
<p>Shippers asked whether the change in the SUG requirement is significant enough to impact on the 94/6 commodity split.</p>	<p>AGIG noted the change is not enough and this split has not changed since Shipper Roundtable #3</p>
<p>Shippers raised a question around the scale of the innovation incentives in dollar amount.</p>	<p>AGIG responded that the amount is usually a maximum of 0.5% of revenue. More detail will be provided in the Draft Plan.</p>
<p>Shippers asked what % of the line is looped</p>	<p>AGIG responded that the line is 85% looped but it does not connect at each compressor station.</p>

<p>Shippers asked whether the early recovery of the depreciation will impact on the price in the future.</p>	<p>AGIG stated that post AA5, assuming current RAB, the price would be lower than it otherwise would be. Shippers stated that these impacts need to be made clear by AGIG.</p>
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# Minutes

## AGIG Shipper Roundtable Meeting #6

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h00 – 14h00

**Date:** 20 May, 2019

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Wendy Ng	ERM Power	Richard Beverly	Alinta
Atul Garg	FMG	Katrina Dickson	BHP
Allan McDougall	Gas Trading	Nicholle Langer	Alinta
Vincent Blondeau	Kleenheat	Paul Arias	NewGen Kwinana
Amy Lomborg	Synergy	Carole Clare	Synergy
Alex Uchanski	Synergy	Nick Rea	Kleenheat
Dominic Rodwell	Citic Pacific Mining	Hans Niklasson	

#### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Matthew Anderson	FMG	Jia Wu	Citic Pacific Mining
Daniel Kurz	NewGen Kwinana	Michael Hampson	MMO
Fiona Chong	South 32	Neil Humphries	FMG
Mathew Kavalam	Rio Tinto	Andrew Walker	South 32
Hermann Prinsloo	Horizon Power		

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Jon Cleary	Brooke Palmer
Kristin Raman	Trent Leach	Kristen Pellew	Craig de Laine
Phil Jones	Drew Pearman		

#### KPMG Representatives:

James Arnott

Gemma Modra



## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable. The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.

## Minutes of Meeting

### *Welcome and introduction – James Arnott*

- KPMG summarised the outcomes of the previous meeting, noting minutes would be provided in due course. The summary included:
  - Confirmation that an updated price had been presented
  - Further information related to demand forecast in the market
  - Discussions over future energy models and needs of customers
  - Changes in the life of assets and their recovery profile
  - Detailed conversations over the proposed incentives
- KPMG encouraged Shippers to provide feedback and ask questions. The intent of the Shipper Roundtables to support a “no surprises” approach was reiterated.

### *Overview – Ben Wilson*

- AGIG noted that this Roundtable was a consolidation of the previous meetings. It was an intent that the Roundtable would be used to discuss the Draft Plan, including the revenue and price outcome which was consistent with the previous meeting.
- AGIG noted that a copy of the Draft Plan had been shared electronically with members and that physical copies had been made available in the meeting.
- AGIG explained the consultation process, encouraging feedback at all times, including up to and after the 28 June 2019 deadline and in whatever capacity is easiest and most useful for Shippers.
- AGIG recapped the 3 objectives of this process: To present a plan that delivers for current and future customers; is underpinned by effective stakeholder engagement; and that is capable of being accepted.
- Shippers asked whether AGIG believed that the Draft Plan presented had addressed and captured all the issues and questions that were raised throughout the stakeholder engagement/Roundtable sessions.
  - AGIG responded in the positive, noting that not all stakeholders have the same view but that they believe the Draft Plan adequately addresses all issues raised in Roundtable sessions.
  - AGIG asked whether Shippers agreed with this assessment. A Shipper representative questioned where in the Draft Plan it had addressed the request to changes to the terms and conditions on the Reference Services Agreement that removed what was described as discrimination in relation to the Overrun Rate being set as the greater of 115% of the prevailing tariff or the bid for Spot Capacity.



- AGIG responded that the Spot Capacity Service is not a Reference Service and therefore not addressed in the Draft Plan and the Overrun Rate has been well established in both negotiated and Reference Service Terms and Conditions. AGIG recognized that the Draft Plan has not gone into a level of detail reviewing the terms and conditions of the Reference Services proposed and that AGIG intends to address the Overrun Rate in its detailed proposal for Reference Services.
- AGIG asked whether the Draft Plan was currently delivering on their objective of “no surprises”. Shipper Representatives indicated general consent.
- Key points referenced in the overview included:
  - An 11% cut in expenditure which is a combination of an increase in capex and decrease in opex. Revenue has also decreased period-on-period by 7%.
  - AGIG was contractually obliged to deliver 98% reliability. Internally the goal, and what has been delivered over the past few years, was 100% reliability. AGIG noted that this was becoming more difficult due to the increased volatility in the electricity market due to renewable energy.
  - AGIG noted that being a good employer was an important part of providing good customer service and important to the business.
  - AGIG reflected on the cost metrics and the rate-of-return which have been previously discussed.
  - A Shipper Representative questioned the finance costs. AGIG responded that the Rate of Return of 5.39% is the weighted average cost of capital which is a combination of debt (approx. 4-4.5%) and equity. AGIG also noted that the rate-of-return was the lowest ever on regulated assets and would be updated for market movements during the regulatory review process.

#### *Our Draft Plan – Bringing it all together – Craig de Laine*

- AGIG recapped the engagement process from July 2018 to date. AGIG expressed its appreciation to Shippers for the nature and level of engagement to date.
- AGIG highlighted they believed they have captured and addressed the feedback from previous Shipper sessions. AGIG noted they may not always agree with the feedback, but ensure the feedback has been understood and responded to. AGIG noted that consultation on the Draft Plan enabled further engagement and feedback.
- AGIG reflected on the four stages of the customer and stakeholder engagement process. AGIG indicated that Stage Two had been completed with the release of the Draft Plan. AGIG indicated that it wished to continue the engagement process and receive feedback in Stage Three.
- AGIG presented on what has been delivered in AA4 referencing:
  - Delivering for customers – no primary losses of containment; 100% reliability; new engagement program; and an annual customer survey
  - A good employer – improved safety performance; and employee engagement



- Sustainably cost efficient – expenditure below benchmark; and zero environmental issues
- AGIG propose to maintain service levels whilst reducing costs and continue to deliver as per the last period with a focus on improving customer service.
- AGIG indicated that there was some support for the inclusion of incentives in the Draft Plan. Upon providing further explanation of Opex efficiency and innovation incentives, AGIG noted that they were still seeking feedback on this point.
- AGIG highlighted that the legislative requirements for AGIG are to deliver for both current and future customers, and this had been considered in the Draft Plan.
- AGIG provided further details on some of the key commitments including:
  - Delivering for customers:
    - Reduction in revenue of \$130m
    - Significant and material reduction in revenue while maintaining the same level of public safety and customer service
    - Offering the same reference services and an opportunity to negotiate bespoke services
    - Capex program of \$159m consistent with current delivery levels A focus on maintaining safety, reliability and service
  - Being a good employer:
    - Safety performance which is a key KPI A zero harm focus
    - An employee engagement survey to ensure employees understand and are driven and motivated to deliver on the objectives of the company
  - Sustainably cost efficient:
    - Not spending more than is required to deliver services
    - Reduction in opex, excluding SUG costs, due to efficiencies achieved which would be passed on to customers
    - Capex program consistent with current levels Costs in line with current expenditure
    - Initiatives on IT spend required to run a safe and secure business
- A Shipper Representative questioned the potential double counting of inflation going forward. AGIG noted that there was no double counting of inflation as the ERA's regulatory model adjusts for any potential of double counting. This is consistent with all regulatory models.
- Shippers questioned that AGIG had calculated the rate of return "in line with ERA guidelines" and what the ERA actual published rate was. AGIG noted that the ERA provides a set of instructions and methodology to calculate the rate-of-return utilising market information. AGIG also noted that the recent ATCO draft decision used 5.7%, but that by the time AGIG will submit their plan, the rate will be approximately 5.4%. The period used to calculate the rate-of-return to apply has to be nominated in advance.

- A Shipper Representative questioned the tax calculation and opex and how tax had increased despite revenue decreasing. In response, AGIG noted that financing costs had gone down, which likely drove the result. AGIG undertook to provide this information to Shippers.
- A Shipper Representative questioned what happens if actual demand stays the same in AA5 as in AA4. AGIG noted that once the price is set, that AGIG wore the risk/benefit of demand being higher or lower than the benchmark under a price cap.
- Shippers questioned the decrease in demand and consistency with the AEMO Gas Statement of Opportunities (GSOO). AGIG noted that the demand is forecast based the best available information pertaining to contracted capacity and throughput for full haul, part haul and back haul reference services.
- Shipper Representatives questioned the actual demand in the current AA4 period. AGIG referred to the Draft Plan, noting no significant change in throughput forecast but an overall reduction in contracted capacity for AA5. In response, Shipper Representatives noted that was a difficult item to interrogate with the aggregated information provided by AGIG.. AGIG noted and it was recognised by shippers information is commercial sensitive. AGIG expected some customers to used contracted relinquishment rights to reduce unutilized contracted capacity.
- AGIG noted they have listened to customers and taken this information into account when making the demand assumptions.
- Shipper Representatives questioned how extension options are factored into the estimate. AGIG responded that those extensions were generally more long term and did not impact AA5 but assumptions and analysis are made in relation to each existing facility.
- In regards to capacity trading, it was noted that there are existing provisions in the SSC and Reference Services that allows for capacity trading on the DBNGP. AGIG noted that recent GMRG reforms in other jurisdictions were required to address contractually constrained pipelines which needed to incentivise customers to contract more efficiently whereas the DBNGP has spare capacity available.
- Shipper Representatives questioned whether AGIG is making any assumptions around revenue from the Spot Capacity. AGIG responded that it is not included in the Draft Plan as that contains purely full haul equivalent capacity and related revenue. AGIG also noted that revenue from the Spot Capacity was a very small component of revenue noting they could provide additional information in relation to throughput assumptions and update the previously issued report.
- Shipper Representatives questioned the increasing impact of the Pilbara Service and whether the revenue is included in the total revenue. AGIG responded while there has been some increase, it is relatively minor. AGIG noted that full haul comprises 95% of total revenue so the movement between P1 and B1 and Pilbara Service is questionable due to the different nature of the service and has a marginal impact on revenue.
- AGIG noted that the impact of new producers is also difficult to predict over the next few years.



- Shipper Representatives questioned the total of 900TJs compared to the GSOO planning for 1,000TJ – 1,100TJ. AGIG noted that removing the PGP (30TJ), PEPL (60TJ) and direct feed from Varanus to GGP (100- 110TJ) ensures no double counting through the different pipelines in their data.
- Shipper Representatives questioned whether the tax cost is captured in opex costs. AGIG responded that it is a separate cost and not included in opex and tax benefit / cost is a timing issue and is only compensated once.

*We need your feedback to refine our plans – Craig de Laine*

- AGIG presented further detail on areas of the Draft Plan, noting what had been discussed and the nature of discussion, and how this had been reflected in the Draft Plan. Specific reference was made to:
  - Pipeline and Reference Services
- AGIG listed the Reference and non-reference services provided on the DBNGP. AGIG noted that vast majority of contracted services are provided in the form of the T1 full haul, B1 back haul, and P1 part haul Reference Services. AGIG will continue to negotiate bespoke services where Shipper unique circumstances call for a more tailored service.
  - Shipper Representatives questioned how the overrun charges work. AGIG noted that Overrun work the same on all contracts. The Overrun Run is 115% of relevant tariff (T1, P1 and B1) or a spot price bid for that day.
  - A Shipper Representative questioned whether the discrimination that was originally raised in that meeting and structure of the overrun capacity applies to full and part haul shippers. AGIG noted the Overrun rate is applied consistently in all contracts and is consistent with the Reference Service charging mechanism. A Shipper Representative confirmed that it wanted a fundamental change to the Overrun Rate for Part Haul Reference Services.

#### Opex

- Opex movements and details were been discussed noting the large saving on SUG costs and efficiencies. AGIG noted they are not requesting additional opex for improved service, they will deliver this within existing levels.
- Shipper Representatives questioned the GEA and turbine overhaul requirements given the solar and battery possibilities and what is the cost differential of removing the requirement for SUG all together and using alternative power sources. AGIG responded that they have over 200MW of turbines so to change them over to electric drive would be a huge exercise and associated cost noting that the GEA are electric (50MW). AGIG does have solar and battery backups for small and remote applications. Shipper Representatives asked how far away AGIG are from removing the need for compressors. AGIG responded that would significantly impact capex costs and impact reliability. AGIG are focused on reducing fuel costs and are not considering a significant transition to alternatively fuel sources to power compression on the DBNGP.
- Shipper Representatives asked how the SUG price is determined. AGIG responded that they have used market data to estimate the cost. In previous AA periods, AGIG have secured a contract or contracts to provide a firm gas



supply service have been made available to the ERA for review. AGIG uses a estimate methodology, previously approved by the ERA, to determine the volume of SUG.. AGIG's estimation methodology will be consistent with the approach taken for AA4.

- Shipper Representatives requested that the minutes do not reflect support for the questions on each of the slides presented as that was not the case. AGIG responded that the minutes will not reflect agreement. KPMG noted that the purpose of the questions (as per their inclusion in the Draft Plan) was to stimulate thinking by Shippers when reviewing the Draft Plan.
- Capex
- AGIG discussed the capex amount proposed. Previous questions from Shipper Representatives have asked how they can be assured of the efficiency and appropriateness of capex. AGIG explained their cost governance process in the meetings and also provided additional information in the Draft Plan.

#### *Capital base*

- AGIG noted that this process of adjusting the capital base over the current and future periods for actual spend, inflation and depreciation. Depreciation has been discussed at previous meetings and in this meeting. AGIG also noted that future energy models have been discussed and there is a high level of investment in understanding what those future energy models might look like. AGIG need to consider both current and future customers which is why they have adjusted the capital base to re-align asset categories and asset lives.
- AGIG noted that they are in a fortunate position to deliver the required adjustment whilst also delivering a reduction in revenue of 7%.
- Shipper Representatives questioned the difference in depreciation in AA4 and AA5 and there appears to be changes that are not covered by the "other" category. AGIG referred to the Draft Plan and noted that they have split out the other asset category.
- Shipper Representatives questioned the accelerated tax depreciation. AGIG noted that there had not been an acceleration of tax depreciation relative from previous regulatory determinations. AGIG noted they will provide additional information as to why revenue has decreased but tax has increased.

#### *Financing costs*

- AGIG noted that financing costs had already been discussed in the session. AGIG had applied the ERA methodology and the rate has been updated during the Shipper Roundtable process and would be updated again prior to final submission. AGIG indicated that it would continue to accept the rate-of- return under the ERA methodology.

#### *Demand*

- Shippers questioned the growth in part-haul and back-haul opportunities in the Pilbara region and whether it had been reflected in the Draft Plan. AGIG noted that they have made assumptions and reflected their understanding of the changes in that region but welcome any additional feedback.

#### *Incentives*

- AGIG noted that they like incentives as a business as it drives the right behavior and have proposed an opex incentive and innovation incentive. AGIG are not sure on the level of support for those incentives, the innovative incentive in particular.



- The EBSS would have no impact on AA5 and only an impact on AA6 to the extent of the savings made in AA5
- Shipper Representatives questioned whether AGIG could run the compressors on hydrogen. AGIG responded that they could convert the compressors to electric drive with hydrogen as a fuel source to produce electricity but that would be a different process. AGIG noted that an example of innovation could be around hydrogen blending within the DBNGP.
- Shipper Representatives noted that if hydrogen blending was part of the innovation process it would be important to consider impact on customer facilities and ability of those facilities to accept a blended gas.

#### *Revenue and Prices*

- AGIG noted that revenue and prices had been discussed throughout the session. The price is a 6% cut from negotiated contract, for those paying the regulated price it is a 5% increase.
- AGIG reiterated the request for feedback on all areas and they will be willing to receive feedback via all channels.
- AGIG recapped the timeline asking if an additional roundtable prior to or after 28 June, 2019. Shipper Representatives responded that individual meetings prior to 28 June, 2019 and then a roundtable meeting after 28 June, 2019 would be appropriate.
- AGIG also recapped the ERA process and timeline and they will continue to work towards that process

#### *Conclusion – James Arnott*

- KPMG encouraged the Shippers to consider the questions proposed in the Draft Report and to continue to provide feedback.
- KPMG noted that an additional roundtable will be organised and in the meantime to contact Kristen Pellow from AGIG to arrange one-on-one meetings.
- There were no additional questions.



# Minutes

## AGIG Shipper Roundtable Meeting #7

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h00 – 14h00

**Date:** 5 August, 2019

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Wendy Ng	ERM Power	Richard Beverly	Alinta
Atul Garg (via phone)	FMG	Claire McArdle	BHP
Allan McDougall	Gas Trading	Nicholle Langer	Alinta
Vincent Blondeau	Kleenheat	Paul Arias	NewGen Kwinana
Daniel Kurz	NewGen Kwinana	Carole Clare	Synergy
Dominic Rodwell	Citic Pacific Mining	Hans Niklasson	Kleenheat
Adam Wong	Synergy	Hermann Prinsloo	Horizon Power

#### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Matthew Anderson	FMG	Nick Rea	Kleenheat
Katrina Dickson	BHP	Michael Hampson	MMO
Fiona Chong	South 32	Andrew Walker	South 32
Mathew Kavalam	Rio Tinto	Amy Lomberg	Synergy
Alex Uchanski	Synergy		

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Peter Bucki	Brooke Palmer
Nick Wills-Johnson	Trent Leach	Kristen Pellew	Craig de Laine

#### KPMG Representatives:

James Arnott	Gemma Modra
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## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable. The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.

## Minutes of Meeting

### *Welcome and introduction – James Arnott*

- KPMG reflected on the discussions of the previous meeting. This included providing an overview of the Draft Plan and the discussion on areas in the Draft Plan, including:
  - Inflation & tax calculations
  - Demand forecasting & GSOO
  - Revenue & prices
  - Overrun charges
  - SUG
  - Depreciation
  - Rate of return
  - Incentives

- KPMG encouraged Shipper Representatives to continue to provide feedback and ask questions through the session and process.

### *Draft Plan Consultation – Ben Wilson*

- AGIG are continuing to refine the Draft Plan based on feedback received during the consultation process.
- AGIG noted that the rate of return continues to change and would continue to change until it is set by the ERA. The current rate-of-return is lower than the one included in the Draft Plan and is a “place holder” for the final rate. AGIG will accept the rate as determined by the ERA under its guidelines.
- AGIG noted the release of the Electricity Statement of Opportunities (ESOO). This had provided an outlook for the electricity market and reinforced the view for contracted capacity and throughput over the AA5 period.

### *Draft Plan Feedback – Craig de Laine*

- AGIG provided a summary of feedback. The feedback highlighted that the process had provided transparency on the building blocks and enabled a good degree of understanding of the method used to determine the reference tariff.
- The feedback also indicated that Shippers were appreciative of the Roundtable discussions including the format, openness, content and that they were kept informed and provided input into changes to decisions or positions as they occurred.
- AGIG noted that there has been good participation and attendance at the meetings which suggests the sessions are valued. AGIG will discuss future engagement forums over the longer term with Shippers.
- AGIG reflected on the objectives of the process which were to put forward a plan that delivers for customers now and in the future, is underpinned by effective stakeholder engagement and is capable of being accepted. AGIG noted their commitment to a “no surprises” approach and there was feedback that the “no surprises” objective had been achieved.

- Shippers had indicated a general level of comfort with the Draft Plan and initiatives, however in some areas Shippers were keen for further information to better understand some of the proposals, in particular in relation to:
  - Cost efficiency and opex benchmarking
  - Capital base, including asset categorisation and depreciation of the loop-line
  - Demand forecasting
- Shipper Representatives noted general consent that the summary presented accurately reflected their views.

#### *Draft Plan – Pipeline and Reference Services – Rachael Smith*

- AGIG discussed the distinction between the Reference Services and the Standard Shipper Contracts (SSC). The precedent set by the regulator is to assume contracted capacity and forecast volumes for T1, P1 and B1 SSCs are equivalent to the Firm Full, Part and Back Haul reference services. It was also noted that Alcoa's demand is treated as a Firm Full Haul service in the reference tariff model.
- AGIG noted that non-reference service revenue in the previous 3 years ranged from 2-5% and is highly variable year on year. In 2018 it was approximately 5% and is forecast to be less in 2019. Examples of non-reference services included short term interruptible services for commissioning of new production facilities or storage services (which are now provided by Tubridgi Gas Storage).
- AGIG indicated that it was going through a process to evaluate potential amendments to the current Reference Service terms and conditions. AGIG has undertaken to publish draft amendments to the terms and conditions in advance of submission to the ERA at the end of the year.
- Shippers requested a list of the proposed amendments prior to them being submitted to the ERA. AGIG agreed that a table of the amendments will be circulated and discussed before being submitted.

#### *Draft Plan – Opex & Capex – Brooke Palmer*

- In relation to opex and capex, AGIG noted there were requests for further information on the allocation of turbine and GEA costs between opex and capex, benchmarking and efficiency (including fuel efficiency).
- Shippers confirmed that the proposed list of additional information that will support the Final Plan opex and capex proposals was sufficient. Additional information proposed includes:
  - Assurance of actual spend in the current period;
  - Asset Management Plan;
  - Cost estimation methodology;
  - Project and program Business Cases & supporting models;
  - Asset Replacement Plan; and
  - IT Investment Plan.
- AGIG provided an update in relation to the current forecast of opex given the actuals for the first 6 months of 2019 are now available. AGIG noted that the Final Plan will be lodged in December 2019 and will therefore update the base year for 9 months of actual costs and 3 months of forecast.

- Shipper Representatives questioned whether the cost saving between the allowance and actual in AA4 would be rolled into AA5. AGIG responded that the difference between the forecast opex set by the ERA and that actually incurred in AA4 is kept by AGIG in AA4, but is then passed on to customers in AA5. This is consistent with incentive based regulation. This encourages AGIG to save costs. It was noted the majority of this cost saving came in 2018 when the DBP merged and was taken over by AGIG.
- Shipper Representatives challenged that if there was an incentive to reduce costs there would also be an incentive to overestimate their requirement for forecast expenditure in the opex base year or 5 year forecast of capex. AGIG responded the ERA is conscious of this and would not approve opex it considered inefficient.
- AGIG noted that whilst it does have an incentive to reduce costs once the tariff is set, this incentive drives efficiency over the medium to long term in the interest of shippers (and without it price outcomes for Shippers may be worse). Conversely, AGIG takes price risk where costs are higher than forecast.
- Shipper Representatives noted there was an increase from AA4 actual to AA5 forecast opex. AGIG responded the change in opex is primarily due to the proposed change in capitalisation policy which was presented in an earlier Roundtable meeting. AGIG undertook to provide the opex chart with the change depicted so Shippers could see average opex is relatively flat between the two periods.

*Draft Plan – SUG – Rachael Smith*

- AGIG noted no change in the approach for fuel gas and that work on throughput assumptions is ongoing.
- During the Draft Plan consultation, it was queried why AGIG does not utilise the spot market for fuel gas. AGIG clarified that to provide a firm reference service they need to secure a firm gas supply. AGIG have included a forecast quantity and price for fuel gas. This will form the variable component of the tariff – around 6% of the total price.
- Shipper Representatives asked what the material assumptions are that may impact the estimated fuel gas quantity. AGIG responded that a key factor is the forecast throughput for AA5.
- Shipper Representatives had no other questions on opex and capex.

*Draft Plan – Benchmarking – Craig de Laine & Nick Wills-Johnson*

- AGIG noted that some feedback in the one-on-one sessions was in relation to the use of benchmarking.
- AGIG recognises the value of benchmarking and have included a benchmark in the current access arrangement which is opex per unit of energy delivered. This measure shows a 10% improvement on AA4 to date.
- AGIG noted other pipelines use similar benchmarking of their own costs, but cross pipeline comparisons are not undertaken due to the small sample of comparators and their uniqueness. Specifically, the DBNGP is the only pipeline that pays its own SUG, has an annual land access fee and it also has more mainline valves than any other pipeline.
- AGIG noted that the small sample of comparators (4-5 regulated transmission systems in Australia) means they cannot do a statistical analysis.

- Shipper Representatives asked for information on how AGIG has performed against such metrics over the last 10 years.
- A Shipper Representative asked whether AGIG needs all the mainline valves along the pipeline and what would the typical number of valves be for a 2,000km pipeline. AGIG responded that as a responsible pipeline operator the design of the DBNGP has been approved by appropriate technical regulatory authorities and has been built to be consistent with appropriate Australian and International Standards. Mainline valves are an important part of the safe operation and integrity of the pipeline.
- AGIG discussed productivity, which is a component of the base step trend approach to forecasting opex. It is an industry measure which represents efficient levels of cost reductions related to productivity improvements over the period. The ERA recently commented on ATCO's productivity factor which it determined to be zero. AGIG's situation will be similar (low-no output growth and low technology investment) therefore a zero productivity factor will be proposed.

#### *Draft Plan – Capital base – Craig de Laine & Nick Wills-Johnson Asset categorisation*

- AGIG notes it reviewed the asset categories used to describe the asset base. This review sought more appropriate asset categories that are consistent with those used within the business and reflective of good industry practice, as used by the ERA and other regulated pipelines. It was noted that Shippers are comfortable with the asset re-categorisation proposal.
- During the explanation of changes in asset categories, AGIG explained the largest movements had been from pipelines to cathodic / corrosion protection and from compression to SCADA, Electrical Control and Instrumentation (ECI) and Communications. AGIG had applied a best practice exercise to the categorisation.
- Shipper Representatives questioned the remaining \$101m in "other depreciable" category and what that was comprised of. AGIG responded that it was assets that did not clearly fit into one of the other categories and agreed to provide further information on that breakdown.

#### *Depreciation of the Loop-line*

- A Shipper Representative questioned whether the proposed depreciation would impact Alcoa's tariffs. AGIG responded that the pricing risk on Alcoa's contract is borne by AGIG and Alcoa's volumes are treated as a reference service in the reference tariff model.
- During the Draft Plan consultation, Shippers requested more information on the proposed change to the depreciation of the loop-line, specifically in relation to the rationale and timing.
- AGIG noted that over the life of the pipeline the sooner depreciation is recovered the lower the overall cost to Shippers in the long term. Shippers concurred with this, but noted that their businesses or assets may have a shorter life, and therefore their interests were more short term. AGIG noted that it is the role of the regulator to make a determination in the interest of both current and future customers, and as such, decisions can not be based on short term price impacts.
- In general discussion about depreciation, AGIG referred to the recent ACCC Regulatory Conference that spoke to the changing energy mix and its impact on pipeline businesses. Referring to these observations, AGIG indicated that it was prudent for them to assess the economic life of the pipeline at every access arrangement.

- AGIG also referred to its use of the Window of Opportunity Passed (WOOPs) model noting that it had developed a specific WOOPs model for the DBNGP. The model is still in draft form and would be submitted as part of the Final Plan to the ERA to support AGIG's position on depreciation and recovery of the invested asset base. Details on the model and its application were discussed.

#### *Financing Costs*

- AGIG noted the rate-of-return would be updated close to the Final Plan but would be a placeholder until it was set in the ERA's Final Decision (approximately 18 months away).
- Shipper Representatives requested an update to the current price modelling. AGIG undertook to provide an update at the next meeting.

#### *Demand – Rachael Smith*

- AGIG spoke to the changes in its demand forecast up to and then since the release of the Draft Plan.
- AGIG has engaged KPMG to analyse the assumptions and methodology used to determine the demand forecast in response to feedback received from Shippers requesting more information relating to the demand forecast. This work will provide transparency and assurance of the robustness of AGIG's approach without compromising Shipper confidentiality. This report will be made available to Shippers as soon as it becomes available.
- It was mentioned that a further update to demand will be communicated to Shippers in the near future.

#### *Incentives – Brooke Palmer*

- AGIG noted Shipper feedback on incentives was generally supportive of the opex incentive but not of the innovation incentive. While AGIG supports stronger incentives, it will now only pursue an opex incentive to apply from AA5. Further information on how this scheme will work will be presented at the next roundtable.

*Conclusion – Kristen Pellew and James Arnott*

- AGIG presented on the online engagement platform “Gas Matters” and the content which would be made available to Shippers. Additional details on the platform would be shared through future communication.
- AGIG proposed to hold the next Shipper Roundtable in the first week of September, and that an invitation would be sent out shortly.
- AGIG offered further one-on-one meetings to Shippers upon request.
- KPMG noted they will send an “Engagement Survey” to gather feedback from Shippers on the process, format and content of the Shipper Roundtables. The Survey would be circulated via email.

**Amendment to Minutes**

The following amendment was requested to the minutes of AGIG Shipper Roundtable Meeting #7 at AGIG Shipper Roundtable Meeting #8. The amendment request has been noted in AGIG Shipper Roundtable Meeting #8 and included within these minutes for the sake of completeness:

- When discussing the future of the DBP and its role in WA, Shippers questioned if the changes in the energy market and the impact on demand assumed by DBP had adequately considered WA as a ‘gas state’;
- In relation to depreciation Shipper Representatives commented that there was uncertainty around assumptions made by AGIG and the ERA’s eventual view of AGIG’s proposal; and
- Shipper representatives had requested tariff impacts for the proposals relating to depreciation.

These topics were discussed in AGIG Shipper Roundtable Meeting #8 at the time of the amendment being request.

## Table of Responses

The following table provides a response to questions raised during this engagement session. The responses have been provided by AGIG following the Shipper Roundtable meeting:

Question/Comment Raised	AGIG Response
Shippers requested a list of the proposed amendments to the Terms and Conditions of the SCC prior to them being submitted to the ERA.	AGIG agreed that a table of the amendments will be circulated and discussed prior to being submitted to the ERA.
Shippers noted that there was an increase from AA4 actual to AA5 forecast opex.	AGIG responded the step change in that instance is primarily due to the proposed change in capitalisation policy and undertook to provide the opex chart with the change depicted at the next Shipper Roundtable.
Shippers asked how AGIG has performed for opex per unit of energy delivered over the last 10 years.	AGIG to present opex per unit of energy delivered over the last 10 years at the next Shipper Roundtable.
Shippers queried what was included in the \$101m in “other depreciable” category in the recategorisation proposal.	AGIG to provide more information regarding what is included in the category “other depreciable”
Shippers requested an explanation of the proposed change to the depreciation of the loop-line.	AGIG to provide further information to Shippers regarding proposed changes to the depreciation of the loop-line.
Shippers requested more detail on the methodology used for the demand forecast.	AGIG has engaged KPMG to analyse the assumptions and methodology used to forecast demand to provide transparency and assurance of the robustness of AGIG’s approach without compromising Shipper confidentiality. This report would be made available to Shippers by end August 2019.



# Minutes

## AGIG Shipper Roundtable Meeting #8

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h30m – 14h30m

**Date:** 3 September, 2019

**Attendance:**

### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Richard Beverly	Alinta	Nicholle Langer	Alinta
Atul Garg	FMG	Andrew Walker	South 32
Mathew Kavalam	Rio Tinto	Amy Lomborg	Synergy
Nick Rea	Kleenheat	Sam Mc Creedy	Santos
Katrina Dickson	BHP	Daniel Kurz	NewGen Kwinana
Vincent Blondeau	Kleenheat	Hans Niklasson	Kleenheat
Gordon Rule	Horizon Power	Paul Bresloff-Barry	Gas Trading
Dominic Rodwell	Citic Pacific Mining	Carole Clare	Synergy
Adam Wong	Synergy	Hermann Prinsloo	Horizon Power

### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Matthew Anderson	FMG	Michael Hampson	MMO
Wendy Ng	ERM Power	Allan McDougall	Gas Trading
Paul Arias	NewGen Kwinana	Claire McArdle	BHP
Fiona Chong	South 32	Alex Uchanski	Synergy

### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Craig de Laine	Brooke Palmer
Nick Wills-Johnson	Trent Leach	Kristen Pellew	

### KPMG Representatives:

James Arnott

Gemma Modra

## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable. The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.

## Minutes of Meeting

### *Welcome and introduction – James Arnott*

- KPMG reflected on the topics discussed in the previous meeting. Additional information requests related to cost efficiency and benchmarking, depreciation of the capital base and assumptions within the demand forecasting.
- KPMG noted that an information paper had been distributed in relation to depreciation.
- In relation to the previous meeting minutes, Shipper Representatives noted that whilst the minutes were not verbatim, the following points had not been adequately covered in the circulated minutes:
  - When discussing the future of the DBP and its role in WA, Shippers questioned if the changes in the energy market and the impact on demand assumed by DBP had adequately considered WA as a 'gas state';
  - In relation to depreciation Shipper Representatives commented that there was uncertainty around assumptions made by AGIG and the ERA's eventual view of AGIG's proposal; and
  - Shipper representatives had requested tariff impacts for the proposals relating to depreciation.
- Shipper Representatives requested more information in relation to demand, in particular:
  - What had been relinquished in AA4 and how much was forecast to be relinquished over AA5, and
  - The breakdown of change in demand by class of demand.
- AGIG noted these issues would be discussed in this meeting.
- AGIG and KPMG encouraged Shippers to provide feedback on the minutes upon receipt, noting that the minutes would be updated where required.

*Today's focus – Ben Willson*

- AGIG opened the meeting, noting the focus on:
  - Updated modelling, WACC forecast and price impact;
  - Further detail on opex, depreciation and demand as requested by Shippers; and
  - More detail around the structure of the proposed efficiency benefit sharing scheme (EBSS).

*Price update*

- AGIG noted that the draft plan referenced a price of \$1.40, based on a WACC of 5.39%, commodity split of 94/6 and expected demand at the time. This has been updated to a price of \$1.37, based on a WACC of 4.58%, and demand of 651 TJ.
- Shipper Representatives asked whether the WACC was a “look back WACC”. AGIG confirmed it was based on forward rates for December 2020 (as opposed to spot rates) observed in the 20 days to 30 June 2019 - noting that the July and August numbers would be lower and that the modelling did not yet reflect that. AGIG noted that the tariff would continue to be adjusted, including on account of evolving market conditions influencing the WACC.
- Shipper Representatives asked how the WACC and demand changes have impacted the overall price. AGIG responded that they will provide a waterfall chart to represent the offsetting drivers.
- Shipper Representatives questioned whether the “7% price cut for most of our customers” also refers to the Pilbara service. AGIG responded that the Pilbara service was a non-reference service so did not apply and is on a different tariff structure outside this framework. A Shipper Representatives questioned when there would be guidance on the pricing for the Pilbara service after this process. AGIG responded that the Pilbara service base tariff will not change as part of AA5.

*Developing our future plans – supporting information – Craig de Laine Opex*

- AGIG noted that in the previous meeting there was a request for more information in relation to the change in Opex between AA4 to AA5. AGIG presented information highlighting that the key driver behind the \$17m increase period-on-period is the change in capitalisation policy (approx. \$12m) to better reflect the nature of these costs. AGIG noted that they were seeking a review of this change to provide assurance it is reasonable. AGIG also noted that the increase relates to a greater number of forecast turbine overhauls which will occur in the first three years of AA5.
- AGIG provided data illustrating that Opex/total energy delivered and Opex/km had reduced over time, illustrating improved efficiencies. AGIG reaffirmed the challenges sourcing benchmarking data for transmission pipelines which had been discussed at previous meetings.

*Depreciation*

- AGIG noted that at the last meeting most of the discussion was in relation to proposed changes regarding depreciation. In response, an information paper had been circulated to all Shipper Representatives to provide a greater level of detail around AGIG's proposed approach and rationale to depreciation.

- It was noted that a key concern for Shipper Representatives was around whether AGIG should be considering the economic useful life of the DBNGP now, in the absence of a clear carbon policy direction/ objective from the WA Government. AGIG noted that it reviews the useful life of all of its assets as part of each five year regulatory review period, consistent with the National Gas Rules.
- AGIG also highlighted that Government had publicly released a policy position since the last Shipper Roundtable. “The McGowan Government is committed to working with all sections of the West Australian economy towards achieving net zero greenhouse gas emissions by 2050”, Tabled in Parliament, Government of Western Australia on 27 August 2019.
- AGIG referred to the AEMC submission to the Climate Change Authority on 23 August. The AEMC stated that as industry evolves to address climate change objectives, it will fundamentally and materially alter operation of gas and electricity markets. The AEMC therefore observed that providing short term price decreases at the expense of investors being able to recover a return on efficient investment is not in the long term interests of customers.
- AGIG referred to its objective which is to deliver for current and future customers and that they need to make decisions which are in the long term interests of consumers. Price impact is important but the long term interests must be given equal priority and this has been confirmed in the submission by the AEMC.
- AGIG responded to the question previously posed of “why now?” by referring to the recent information published and commenting that they now have clearer direction but it is also what is being evidenced in the market in any evident, for example through observable measures such as deployment of renewable electricity.
- AGIG also noted that the longer the delay, the larger the change to depreciation will needed to be to meet the same economic end life and subsequently a larger the price impact. The current low interest rate environment provides an opportunity to deliver this initiative now.
- Shipper Representatives noted that there could be a future scenario in which they are consuming hydrogen in their operations, delivered by the DBNGP. AGIG responded that may be possible and that proposed changes to depreciation increases the prospects of this occurring. More importantly transport of hydrogen in a transmission pipeline depends upon differences in the cost of its production at either end of the pipeline. Unlike natural gas which is often located in regions remote from a load centre, hydrogen through electrolysis can be produced at the load centre. This represents a fundamental change in the economics of transmission pipeline operation and regulation.
- Shipper Representatives noted that the information paper regarding depreciation addresses the concept and was very helpful in providing the rationale for AGIG’s proposed approach.
- AGIG have estimated that the price impact of the shorter economic life of the pipeline as a whole is in the order of \$0.06/GJ - \$0.08/GJ. This does not represent extra money being recovered by AGIG (as, for example, would be the case if we addressed the relevant risk with a higher WACC), but just a shift in the timing of the recovery of our capital investments.
- Shipper Representatives and AGIG discussed the assumptions underlying the Window of Opportunity Past (WOOPS) model used to estimate the economic useful life of the DBNGP. AGIG confirmed fuel substitution of natural gas by hydrogen is assumed by the model, and that CSIRO projections for the cost of hydrogen have been relied upon.

- AGIG made the observation that carbon policy and renewable energy technology are one-way ratchets; it is not credible to assume less stringent emissions targets or more costly renewable energy technology in the future. Therefore, with one-way uncertainty, the value of waiting is diminished and is ultimately not in the long term of customers.
- Shipper Representatives asked for further information around the input assumptions for the depreciation modelling. AGIG responded that they will provide that information in due course as the modelling is finalised. AGIG also responded that all information would be publicly available with the final plan.

#### *Demand*

- To provide further transparency around demand forecasts, AGIG have engaged KPMG to undertake a reasonable assurance review which they will circulate to the group once complete. AGIG offered to organise a teleconference with interested Shipper Representatives to present the findings if this was considered valuable.
- AGIG confirmed they will be able to provide further aggregated information on forecast capacity relinquishments.

#### *Incentives – Brooke Palmer*

- AGIG will be putting forward an Opex Efficiency Benefit Sharing Scheme in the Final Plan based on positive feedback from Shipper Representatives.
- AGIG noted the purpose of the scheme is to replicate what would happen in a competitive market, that being to provide reward for cost savings and penalty for cost overruns.

#### *Terms and Conditions – Rachael Smith*

- AGIG presented on the proposed approach to amending the terms and conditions, noting that changes would include minor corrections, practical changes and seek to improve consistency between services. A table of proposed revisions will be distributed to Shippers by end of September for feedback. The revised Term and Conditions will be submitted with the Final Plan to the ERA in December 2019.

#### *Billing Simplification – Rachael Smith*

- AGIG presented on the billing simplification process being undertaken together with their vendor EnergyOne. Some of the improvements being considered include: the removal of charge zones that are not used, removing the need for multiple delivery meters for multiple services, introduction of cover and summary pages, invoices to be provided in CSV format, general clean up and removal of unused delivery points and meters.
- AGIG noted that the improvements will not occur until 2020 but information around timing will be further communicated.

#### *Stakeholder Engagement Report – James Arnott*

- KPMG presented on their role and the process of delivering a final Stakeholder Engagement Report. The report will include a summary of the content per session, key decisions, survey results and a summary of attendance.

- Shipper Representatives indicated general consent that they do not mind if they are named with their organisation as part of the attendance register.
- KPMG will circulate the report prior to submission for Shipper Representatives to comment on and also reiterated the survey will be circulated and request for feedback.

## Table of Responses

The following table provides a response to questions raised during this engagement session. The responses have been provided by AGIG following the Shipper Roundtable Engagement meeting:

Question/Comment Raised	AGIG Response
<p>Shipper Representatives proposed amendments to the minutes for Shipper Roundtable Meeting #7 which were distributed to Shippers. Proposed amendments were documented by KPMG for inclusion</p>	<p>KPMG to circulate revised minutes. AGIG to circulate draft minutes to Shipper Representatives shortly after meetings, to ensure adequate time for review.</p>
<p>Shipper Representatives asked how the changes to WACC and demand have impacted the overall price.</p>	<p>AGIG to provide a waterfall chart to all Shipper Representatives to illustrate the offsetting drivers and the impact on price.</p>
<p>AGIG circulated an information paper titled: <i>Further information on our depreciation position (2021 – 2025 Draft Plan Supporting Information)</i> on 15 August. Shipper Representatives requested more detailed information relating to the assumptions underlying the proposed approach.</p>	<p>AGIG to provide more detail regarding the assumptions/ modelling underpinning the rationale for the proposed approach to depreciation.</p>
<p>To provide further transparency around demand forecasts, AGIG have engaged KPMG to undertake a reasonable assurance audit.</p>	<p>AGIG to circulate the reasonable assurance review of demand forecasts. AGIG to organise a teleconference with interested Shipper Representatives to present the findings.</p>
<p>Shipper Representatives questioned the operation of the incentive scheme when there are both positive and negative cost outcomes and how that is shared between AGIG and customers.</p>	<p>AGIG noted they would provide the example model to Shipper Representatives for their review.</p>
<p>AGIG presented its proposed approach to amending the terms and conditions.</p>	<p>A table of proposed revisions will be distributed by AGIG to Shippers by end of September for feedback. The revised Term and Conditions will be submitted</p>

	with the Final Plan to the ERA in December 2019.
KPMG is preparing a report documenting the engagement program and activities AGIG has undertaken to support to the development of its plans for the DBNGP from 2021 to 2025.	<p>KPMG will seek feedback from Shippers via email.</p> <p>KPMG will circulate a draft report to all Shipper Representatives to ensure the report accurately documents the approach, process, and information presented to Shippers for engagement.</p>



# Minutes

## AGIG Shipper Roundtable Meeting #9

**Venue:** KPMG, 235 St Georges Terrace, Perth

**Time:** 12h30m – 14h30m

**Date:** 25 November, 2019

### Attendance:

#### Shippers Representatives:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Richard Beverly	Alinta	Nicholle Langer	Alinta
Atul Garg	FMG	Andrew Walker	South 32
Mathew Kavalam	Rio Tinto	Amy Lomborg	Synergy
Nick Rea	Kleenheat	Sam McCready	Santos
Katrina Dickson	BHP	Daniel Kurz	NewGen Kwinana
Vincent Blondeau	Kleenheat	Hans Niklasson	Kleenheat
Gordon Rule	Horizon Power	Paul Bresloff-Barry	Gas Trading
Dominic Rodwell	Citic Pacific Mining	Carole Clare	Synergy
Allan McDougall	Gas Trading	Paul Arias	NewGen Kwinana
Leah Kisiel	Santos	Erin Sutton	Santos
Claire Quinn	Inpex	Lucy Crantock	FMG
Adam Wong	Synergy	Hermann Prinsloo	Horizon Power

#### Shippers Representatives – Apologies:

<i>Name</i>	<i>Organisation</i>	<i>Name</i>	<i>Organisation</i>
Wendy Ng	ERM Power	Claire McArdle	BHP
Fiona Chong	South 32	Alex Uchanski	Synergy

#### AGIG Representatives:

<i>Name</i>	<i>Name</i>	<i>Name</i>	<i>Name</i>
Ben Wilson	Rachael Smith	Craig de Laine	Tawake Rakai
Trent Leach	Kristen Pellew	Peter Bucki	

#### KPMG Representatives:

James Arnott

Gemma Modra

## Background

- The minutes below do not seek to replicate the presentation given at the Shipper Roundtable. The minutes are intended to reflect the Shipper Roundtable general discussion, as well as decisions or actions arising from the meeting.

## Minutes of Meeting

### *Welcome and introduction – James Arnott*

- KPMG reflected on the previous meeting. This included providing an outlining the information that has been provided in the interim period, specifically: Draft amended Terms and Conditions; Incentive scheme example model; and revised minutes.
- It was also noted that a teleconference was held on 17 October in relation to the KPMG Reasonable Assurance Report over demand assumptions.

### *Business Update – Ben Wilson*

- AGIG provided an update on the process noting that the ERA has requested submission of the Final Plan to be on 2 January 2020.
- AGIG would like to ensure the engagement with shippers continues and welcomes feedback on how to facilitate this into the future.
- AGIG reflected on the objectives and outcomes of the engagement process and the content of the Plan noting the objectives of the engagement, purpose of the Plan and key details. AGIG reiterated their “no surprises” approach through the engagement process, believing that this had been achieved.
- AGIG presented the price forecast for inclusion in the Final Plan of \$1.43 based on the latest information available. This would present a 6% price cut for most customers. It was also confirmed that the WACC utilised had been calculated using October 2019 information. This was subject to change as the year continued and will continue to do so leading into the ERA Final Decision towards the end of 2020.
- It was noted that some of the key drivers of the tariff have moved since the Draft Plan, but the overall effect on the tariff has been minimal due to offsetting movements.
- Reference was made to the Reasonable Assurance Review that had been conducted by KPMG. There were no additional questions on the Reasonable Assurance Review.
- Shipper representatives questioned whether the information from the GSOO has been considered in the preparation of the plan, and in particular the demand forecast (capacity and throughput). AGIG confirmed that the GSOO is a key consideration in its forecasting, however a direct comparison cannot be made as the GSOO is broader than just transportation down the DBNGP.

### *Our Final Plan – Craig de Laine, Peter Bucki, Rachel Smith, Tawake Rakai*

- AGIG sought to provide an overview of what was likely to be reflected in the Final Plan.

### *Reference services*

- Reference services are consistent with those disclosed in the Draft Plan and the revised terms and conditions have been circulated.

- Feedback on the terms and conditions has been requested by 2 December 2019. AGIG noted that after the due date feedback would still be provided and considered through the ERA consultation process.
- AGIG presented the contribution of non-reference services to total revenue (being around 5%) and noted that the costs of providing those services are not included in the model.

#### *Capex*

- AGIG noted that the Final Plan capex is largely consistent with the Draft Plan with further information being provided in relation to the capex proposal in the Final Plan.
- AGIG commented that the DBNGP has been in operation for over 35 years and the frequency of parts and equipment becoming obsolescent is increasing average spend in AA5 compared to AA3 and AA4.
- A Shipper Representative questioned the provision of the “Assurance of actual spend” as to whether that would be provided annually throughout AA5 and also what happens if the budgeted capex amount is unspent in AA5. AGIG responded that they would consider providing annual updates to the group on expenditure relative to benchmarks for the 2021-2025 period (AA5).
- Overall, proposed capex in AA5 is in-line with expenditure in the back half of AA4 and is largely driven by periodic replacement requirements.

#### *Opex*

- AGIG presented that opex in the final plan will be around \$350m, excluding System Use Gas (“SUG”) which is \$99m. This represents a 19% decrease from the AA4 budget, and 6% reduction from AA4 actuals. It was noted that the forecast is based on 9 months of actual information and 3 months of forecast information.
- AGIG commented that operating expenses have decreased since the merger which is evident from 2017.
- The change in the capitalisation approach has also impacted the forecast slightly.
- AGIG noted that the expectation is to forecast flat opex for AA5 and SUG costs expected to be reduced based on lower prices and throughput. AGIG noted they will contract for firm fuel gas agreement well before the next regulatory period.
- AGIG noted that SUG is currently a best estimate based on forecast throughput. Whilst the methodology is consistent with that previously accepted by the ERA, some of the parameters have changed based on changed usage of the pipeline including the line pack being run at a higher pressure to maintain pressure throughout the day.
- AGIG will finalise the fuel gas contract to ensure they have firm gas going into the AA5 period.

#### *Capital Base*

- The final plan reflects the re-categorisation of assets as previously discussed and also AGIG’s view on the impact of future energy models and the related impact on the economic life of the pipeline.

#### *Financing Costs*

- AGIG noted that the updated Rate-of-Return in the plan is 4.31% and is calculated using the ERA methodology, but will be further updated leading into the ERA Final Decision.

- AGIG also presented detail on the financeability of the Final Plan, specifically related to the delivered credit metrics and how they compare against the expectations of credit rating agencies for a BBB+ rated business (consistent with the credit rating used by the ERA in setting the cost of debt).

#### *Capacity*

The final plan includes an average annual full haul equivalent demand of 647TJ / day which is consistent with the Reasonable Assurance Review performed by KPMG.

#### *Incentives*

- AGIG has revised its proposal to include only the Opex incentive scheme.
- AGIG provided the model demonstrating how the incentive scheme would work to Shippers on 15 November, 2019.

#### *Revenue and Prices*

- Shipper Representatives questioned the comparison to AA4 in relation to revenue, costs and impact on price. AGIG noted that revenue and costs are lower in AA5 relative to AA4, but given the reduction in demand price remains relatively stable between the two periods.

#### *Next Steps and Further Engagement – Craig de Laine*

- AGIG noted that the ERA have confirmed that the Final Plan is to be submitted on 2 January, 2020 which then starts their process.
- AGIG also noted that they would like to continue the engagement process with Shippers and proposed further future meetings.
- Shipper Representatives were supportive of the suggestion.
- Shipper representatives commented that the Shipper Roundtable meetings were supportive of AGIG's "no surprises" approach and plan capable of being accepted objective.

#### *Engagement Report – James Arnott*

- KPMG presented an outline of their Engagement Report, noting that the report would be provided as part of the final plan.

#### *Thanks and close – Ben Wilson*

- AGIG reiterated their appreciation of the Shipper Representatives' time and engagement.
- AGIG indicated that it was their intent to hold future engagement sessions in the New Year as part of a continuous engagement process. Timings of these engagement sessions would be shared in the future.



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