

14 February 2019

Mr Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via: JGNremittal2015-20@aer.gov.au

**SUBMISSION TO THE AER'S DRAFT DECISION ON JEMENA GAS NETWORKS' ACCESS
ARRANGEMENT 2015-20 – REMITTAL**

Dear Mr Roberts,

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments Energy Council in 2015 our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety and security of supply.

We appreciate the opportunity to respond to the Australian Energy Regulator's (AER) remade draft decision on the access arrangement for Jemena Gas Networks (JGN) for the 2015-20 regulatory control period.

We supported JGN's remittal proposal in [our letter](#) of 31 October 2018 to Mr Shaun Reardon, Executive General Manager, Customer and Markets, JGN. Our view was that, on balance, the benefits of the proposal outweighed the costs and are in the long-term interests of consumers. Our understanding is that consumers will benefit from:

- the resolution of the proposed price path, with JGN agreeing not to re-open the issues arising from the Federal Court decision;
- the significant reduction in market expansion capital expenditure being sought by JGN (which was originally proposed to be \$114 million over and above the AER's original decision); and
- no real price increases over the 2019-24 period because of this proposal, and the work undertaken to smooth prices for consumers.

Consistent with the reasons in our October 2018 letter to JGN, we support the AER's draft decision to accept JGN's proposal. We understand that this means that:

- JGN can recover estimated total revenues of \$2,246.6 million (\$ nominal) from consumers over the 2015-20 access arrangement period. The outcome of this is that JGN will receive an additional \$17.6 million (\$ nominal) above the allowance the AER set in 2015. We understand from the draft determination that this decision reflects annual updates for return on debt and \$21 million of additional market expansion capital expenditure¹.

¹ AER, *Draft Decision - Jemena Gas Networks (NSW) Ltd 2015-20 Access Arrangement January 2019*, page 11. Accessed from <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/jemena-gas-networks-nsw-access-arrangement-2015-20-remittal/draft-decision>



- JGN will return \$169 million (\$2019-20) to consumers throughout the 2020-25 access arrangement period.

The \$169 million reflects the amount that JGN over-recovered from consumers throughout the appeals process for the 2016-17 and 2017-18 regulatory years. During this time, JGN entered into enforceable undertakings with the AER that allowed it to recover revenue from consumers while the appeals process was taking place. The AER is required by the National Gas Rules to make an “adjustment determination” that makes sure that JGN only collects the revenue to which it is entitled to.²

Instead of returning the \$169 million to consumers as a lump sum in 2019-20, the AER has chosen to smooth the return of the \$169 million over the 2020-25 access arrangement period. We supported this approach in our October 2018 letter to JGN when we called for a “tariff variation mechanism” that provides a smooth price outcome for consumers. We are pleased that the AER has taken this approach, and agree with its reasons, that this approach aims to reduce the risk of consumers experiencing a large increase in prices from 2019-20 to 2020-21. The AER states that this pricing outcome is not in line with long-term interests of consumers and may lead customers to incorrectly assume they will continue into the future.

In our October 2018 letter to JGN, we encouraged JGN to continue to seek efficiencies that will put downward pressure on gas prices, and improve affordability outcomes for consumers. We are currently engaging with JGN on its draft plan for the 2020-25 regulatory period and look forward to continuing to work with the business throughout this process.

If you would like to discuss this matter further, please do not hesitate to contact Shelley Ashe, Associate Director Advocacy and Communications at shelley.ashe@energyconsumersaustralia.com.au or on 02 9220 5514.

Yours sincerely,
Rosemary Sinclair AM
CEO, Energy Consumers Australia

² Ibid, page 12.