



Jemena Gas Networks Access Arrangement Proposal 2020-25

Initial observations:
*Opportunities for aligning
consumer and shareholder
interests*

AER Public Forum 7 August 2019
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Overview

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1 Our vision for the market



The long-term interests of consumers (LTIC) test

The National Gas Objective...

- *...to promote the long-term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.*

What we say...

- The long-term interests of consumers are serviced when current and future consumers pay no more than they need to for the quality of service they require...**not one dollar more than necessary; not one day earlier than needed.**

The Pub Test – can we say to consumers that:

“That the very best use of your next \$1 is to spend it with xxx Network to deliver the high-quality network services you have said you wanted.”

Aligning interests

- Our preference is to be completely aligned with sector investors and business managers.
- This happens when businesses are demonstrably very careful with consumers' money and investors are earning reasonable returns.
- It does not happen with investors or managers whose incentives are distorted by objectives beyond the regulatory framework – who are not focused on the long-term interests of consumers as the consumers see these interests.

Our regulatory philosophy

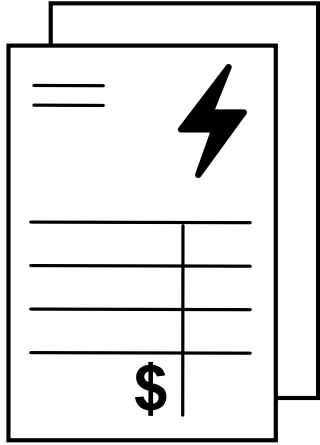
1. The network business should be able to demonstrate that it has developed a deep understanding of the preferences of its consumers.
2. The business should be able to talk about its business plans outside of the context of the revenue proposal, including a long-term price path expectation.
3. The business should be able to acknowledge the problems created by decisions made previously – less spending per se is not enough.

JGN is “leading the way” amongst its peers in the energy networks businesses in the evolution of the consumer engagement journey.

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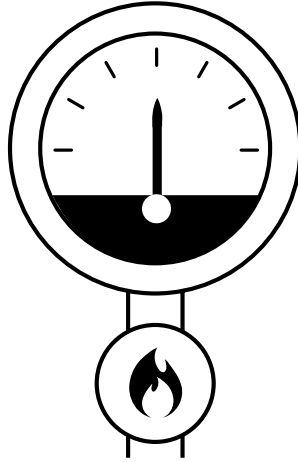
What consumers are telling us





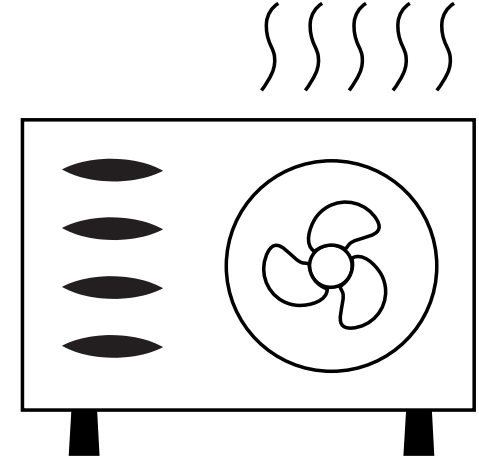
60%

of NSW household consumers are satisfied with the overall value for money of gas. 4% reduction on last year.



31%

of NSW households are confident that the overall energy market is working in their long-term interests. 6% increase on last year.



78%

of NSW households are satisfied with the reliability of their service. 7% reduction on last year.

3 Identifying the problem Timing

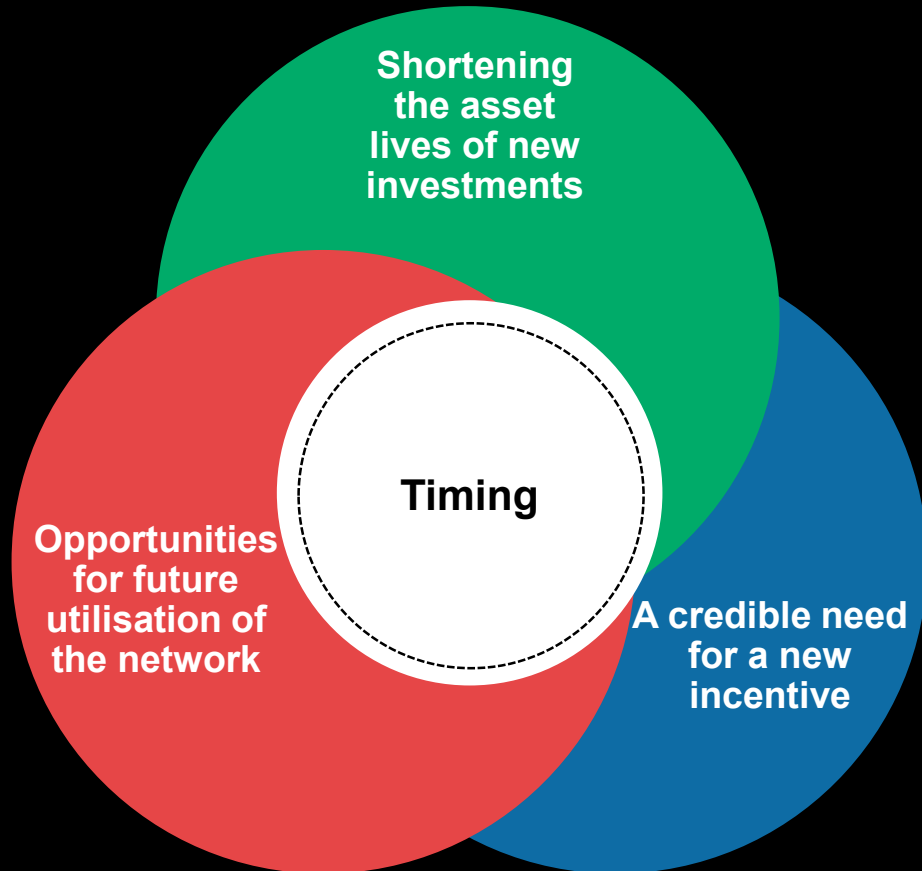


Timing – key observations

Primary objective:

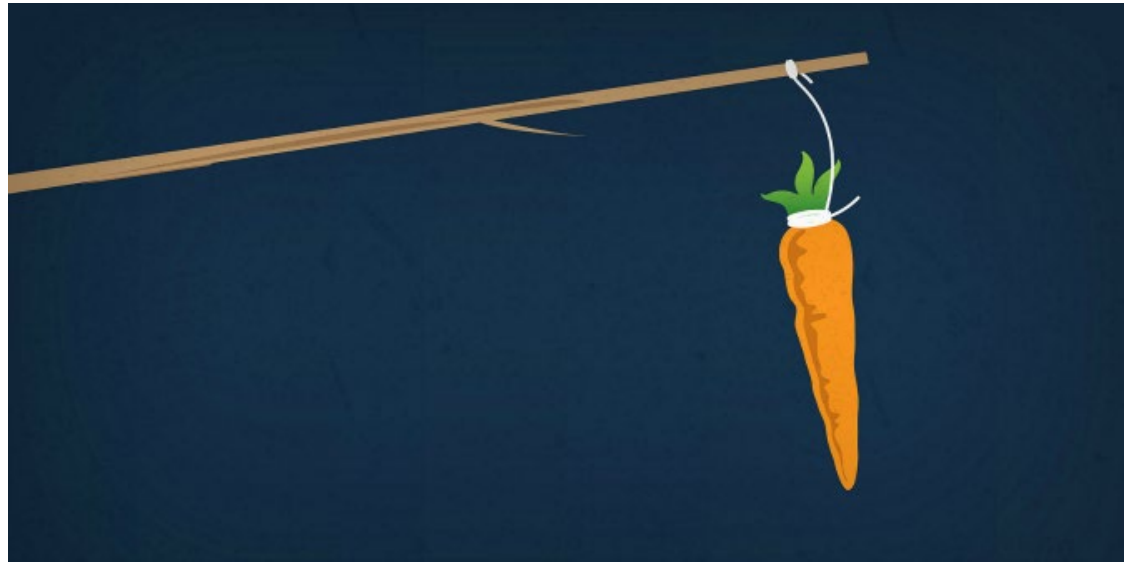
In times of uncertainty, the primary objective should be ensuring consumers pay as little as possible today. This maximises the competitiveness of gas, and therefore, continued utilisation of the network.

In turn, this is aligned with the interests of investors who maximise the opportunity to earn a return on and the return of their investment.



Capital Expenditure Incentive Mechanism

Is the case for a new incentive clear?



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Where to from here?



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