

# Submission on Jemena Gas Networks 2025-30 Access Arrangement Plan

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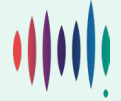
**Submitted by:** Ashley Bradshaw

**DATE:** 12/09/2024



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## Energy Consumers Australia recommends that the AER reject Jemena's Proposed 2025-30 Access Arrangement Plan

Jemena – Australia's largest gas distribution network – knows that its long-term business is at significant risk due to declining consumption of gas as households and businesses electrify. Unfortunately, their 2025-30 access arrangement plan demonstrates that Jemena is yet to address and meaningfully mitigate this risk in a way that meets long-term consumer interests.

Accordingly, we recommend that the AER reject Jemena's 2025-30 Access Arrangement Plan, particularly by:

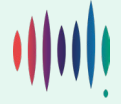
- Reducing metering replacement expenditure to a minimum;
- Requiring connecting customers to pay full connection costs;
- Rejecting the costs associated with connecting biomethane;
- Aligning abolishment costs to Victorian prices; and
- Disallowing Jemena's request for accelerated depreciation.

Just a few years ago, an observer could reasonably state that the gas distribution network's future was uncertain. Today, that future is clear: over the next 25 years, the 5 million households in Australia, including the 1.5 million served by Jemena's gas distribution network in New South Wales, will go all-electric. They will do so because it is more affordable, healthier and sustainable for them, because governments will continue to incentivise them to do so, and because it is required to meet Australia's and New South Wales' net-zero targets cost effectively. The gas distribution network might not disappear, but it will no longer serve households. And as those consumers leave, so does their roughly 90% contribution to Jemena's revenue.

While going electric is good for households generally, it creates risk for multiple parties, particularly the most vulnerable households who can't afford the upfront cost to go all electric, or are reliant on their landlord to make the changes for them. Industrial and commercial consumers, who lack the ability to easily or affordably electrify, also face risk. As the owner of the gas distribution network, Jemena has the responsibility to manage the immediate risks faced by its customers. Unfortunately, Jemena's plan for the 2025-30 period fails to do so adequately.

Jemena's plan does acknowledge the long-term risk to its business. Their plan also details the work of an Expert Panel, on which Energy Consumers Australia was represented, that created four distinct scenarios for the future of gas. Only one of those futures identified use of the gas network by households in 2050, and that scenario was only given a 10% likelihood.

In the starkest recognition of the risk Jemena faces, they ask consumers to pay \$300 million via accelerated depreciation to reduce risks that some of Jemena's pipelines become useless before they are completely paid for. This request would translate to a typical customer paying about \$130 more from 2025-2030 to reduce Jemena's risk of not earning sufficient revenue to pay for all of their investments.



This proposal takes risk from Jemena's network business and shifts it to consumers. The AER has approved accelerated depreciation for Victorian gas networks in the past, framing this as a shift in costs from consumers in the future to consumers today. But if there are no consumers in the future – or not enough for Jemena's network business to remain viable - then the shift is not between consumers; it is asking today's consumers to reduce the losses Jemena's investors face in the future.

We recognize that the AER is in a difficult position, as it must navigate the future of the gas network in the absence of broader policy response to the challenge of declining gas network use. Accelerated depreciation is an incomplete – and, we argue, flawed and unfair – policy response to the challenge. A more equitable, enduring and complete response requires governments to create a sustainable pathway for all consumers to electrify when their appliances die while creating a safety net to ensure that the gas network remains viable for as long as some customers continue to need it. Governments must be the main architects of such a pathway; the AER can help implement the policy once it has been developed by governments. (Several western European and US state governments have shown more fulsome policy responses to safely and affordably decommission the gas network for household use.)

Given the absence of broader government action, accelerated depreciation is currently the only real policy response being used to mitigate the risks on the future of gas network. There is a real risk that it is seen as the only policy response required to reduce risk on the gas network, while the AER, networks and others know this is not the case.

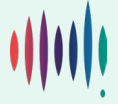
While we are wary of the cost shift from consumers to network investors inherent in accelerated depreciation, it is an option that should only be exercised if one observed that a network was otherwise doing everything in its power to mitigate risks to gas network consumers. Unfortunately, in multiple other ways, Jemena's plan for 2025-30 overlooks the long-term risks Jemena and its customers face. For instance, the capital plan proposes (among other projects) that their existing consumers pay:

- \$281.8 million to connect new household and business consumers;
- \$169.4 million to replace consumer meters; and
- \$83.4 million to connect new bio-methane production facilities.

These expenditure proposals place additional risk on consumers by creating new, discretionary spending and increasing the regulatory asset base. Accordingly, the AER should reject these costs. It is perplexing for Jemena to acknowledge risk and ask consumers to pay for it via accelerated depreciation, while in the same document proposing new investments that would place new, additional risks on consumers.

We commissioned Dynamic Analysis to develop a long-term model that provides insight into the direction of network prices for Jemena's gas customers in New South Wales.<sup>1</sup> The model demonstrates that by reducing metering costs, eliminating the proposal to connect new bio-methane production facilities, and by either eliminating new connections or not socialising the costs of new connections, the value of Jemena's assets in 2055 would be \$500 million less than it otherwise would be. Dynamic Analysis found that this approach to mitigating and minimising risk reduces the regulatory asset base more significantly than by accelerating the depreciation of assets as proposed.

<sup>1</sup> A report outlining Dynamic Analysis's findings is attached to this submission.



Jemena know their risks and is responsible for mitigating them. The AER must reject Jemena's plans to increase those risks through discretionary spending and to shift those risks to consumers through accelerated depreciation.

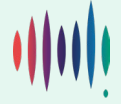
More detail on our thoughts on Jemena's proposal are in the attached submission.

Kind regards,

A handwritten signature in black ink, appearing to read 'Brian Spak'.

Brian Spak

General Manager Advocacy and Policy



## Responses to AER questions

### Question 1 – Engagement approach

We have material concerns with Jemena’s engagement approach and think the results obtained from it should be discounted. The future of the gas network is likely too difficult and complex a topic to rely upon the engagement approach used. Please see our section on Jemena’s engagement approach for further information.

### Questions 2 to 5 – Accelerated depreciation

We have material concerns with Jemena’s proposal for accelerated depreciation and argue the AER should disallow Jemena’s request for accelerated depreciation. Accelerated depreciation should be viewed not as a transfer of risk from future customers to today’s customers, but as a transfer of risk from Jemena to customers. Please see our section on accelerated depreciation for further information.

The AER must ensure that Jemena has a robust and long-term asset management plan. This is the main tool at Jemena’s disposal to identify and mitigate long-term asset stranding risks. Please see our section that discusses this further.

### Questions 6 to 8 – Capital expenditure

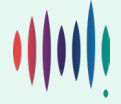
We support the scope of the AER’s review of Jemena’s capital expenditure forecast. Jemena’s forecast is likely much higher than a prudent and efficient level, considering the future of Jemena’s business. We argue that the AER should reduce metering replacement expenditure to a minimum, reject the costs associated with connecting biomethane, and require connecting customers to pay full connection costs.

We have particular concern with the forecast level of connections capex. While this may be an appropriate forecast given current policy settings, we think that it is irresponsible for this number of new residential and commercial customers to connect to Jemena’s network.

We consider that Jemena’s MSO framework needs to be re-opened by the AER to require that connecting residential customers pay a higher upfront contribution of the connecting costs. While Jemena argues it has a responsibility under the rules to connect new consumers who desire, it has significant discretion in the degree to which it socializes the cost of new connections. No costs for new connections should be socialized. This approach promotes responsible decision-making by customers (and property developers) and reduces asset stranding risks.

### Question 15 – Abolishment tariffs

Abolishment tariffs should be reduced to align with Victorian prices. This reduces any perverse incentives that exist to prevent customers from safely disconnecting from the network.



## Reduce metering replacement expenditure to a minimum

One of Jemena's largest proposed capex categories is its metering program, at \$169 million (real, 2024-25). This level of capex represents a material increase from forecast current period spend on metering replacement, at \$112 million.<sup>2</sup>

This level of capex for metering replacement does not appear prudent for a network faced with a future of declining customer numbers. It now seems more appropriate for Jemena to simply leave current meters in place and only replace them if and when they fail.

Jemena's proposed approach to metering creates the likelihood of the network replacing a customer's meter with a new one to then have that customer disconnect from Jemena's network only a few years later. In short, unnecessarily replacing meters before they fail creates a risk of additional stranded assets – i.e., new meters – on Jemena's network.

We also encourage the AER to scrutinise the other replacement projects proposed by Jemena, for the same reasons outlined above.

## Require connecting customers to pay full connection costs

Jemena's largest capital program is connections, forecast at \$282 million (real, June 2024-25).<sup>3</sup> Jemena is well aware of the long-term risks to its network, and indeed is applying for accelerated depreciation, given risks of asset stranding. In this context, it is irresponsible to socialise the costs of new consumers connecting to the gas distribution network. The AER should require Jemena to require new residential connecting customers to pay as much of the upfront cost for connecting to the gas network as allowed under the rules.

In May 2024, Jemena proposed changes to its Model Standing Offer (MSO) framework to require connecting customers to pay a greater upfront connection cost. Jemena has proposed a "moderate" approach where some connection costs will still be shared across existing customers. Jemena attributes this change as a driver of its reduced connections forecast.<sup>4</sup> However Jemena notes that in some cases customers will still qualify for a free connection.<sup>5</sup>

We understand that Jemena considered requiring new residential customers to pay a higher contribution so that "a small portion of costs of each new connection is shared by the customer base"<sup>6</sup> It appears that Jemena proposed the 'moderate' approach due to voting feedback received from their September 2023 customer forum. As we discuss below, we have concerns with Jemena's engagement approach, and consider the results obtained from it should be discounted. The MSO framework needs to be reopened to require newly connected customers to pay the highest possible upfront capital contribution cost. Such an approach would be in line to recent changes in Victoria.<sup>7</sup> Requiring new customers to pay most, if not all, the upfront connection cost has numerous benefits:

<sup>2</sup> Jemena Gas Network, 2025-30 Proposal Attachment 5.1: Capital Expenditure (2024)

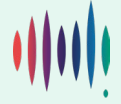
<sup>3</sup> Jemena Gas Network, Draft 2025-30 Plan (2024)

<sup>4</sup> Ibid.

<sup>5</sup> Ibid, p. 65

<sup>6</sup> Ibid.

<sup>7</sup> Essential Services Commission, Gas Distribution Code of Practice (2024)



- It supports responsible, informed decision-making by consumers (and property developers) to consider the costs and long-term risks associated with having a gas connection.
- It ensures that existing customers are not burdened with the costs associated with potentially uninformed decisions by others.
- It reduces long-term asset stranding risks, by ensuring that costs will be recovered.

There are numerous reasons we have concern with Jemena connecting this number of customers:

- Households that are built to be all-electric are cheaper to run and are better for our health.<sup>8</sup> The Victorian government found the costs to build an all-electric new home are within the range for building a gas and electric new home, but the operational savings from going all-electric pay major dividends over time. An all-electric home (without rooftop solar) pays \$1,000 less annually to operate than a dual fuel home, and those savings increase to more than \$2,200 for an all-electric home with solar.<sup>9</sup> Even research commissioned by the gas industry admits that “for new builds...it would be lower cost to electrify.”<sup>10</sup>
- When mains gas customer numbers drop, newly connected customers will be exposed to rising gas prices and may quickly regret getting gas in the first place. When these new homes themselves disconnect from the gas network, there are additional disconnection and abolishment costs that must be paid, and homeowners themselves will have to pay to switch to electric appliances, potentially before their gas appliances reach end of life.<sup>11</sup>
- Socializing the costs of connecting new consumers increases costs for remaining customers and creates further stranding risks at a time when Jemena needs to reduce costs to a minimum.

We re-iterate that it is the AER’s role to serve the long-term interests of consumers. Many households are unaware of the risks and costs associated with having mains gas. It is irresponsible for households to connect to the Jemena gas network without understanding the longer-term costs and risks and being required to pay for these themselves. Accordingly, the AER must ensure that new connecting consumers and developers pay all the cost for connecting to the gas distribution network and that anyone who connects to the gas network is demonstrably aware of the long-term risks of rising network prices.

## Align abolishment costs to Victorian prices

Jemena currently has much higher disconnection and abolishment costs than other networks.<sup>12</sup> These high costs may serve as a barrier to electrification and NSW’s efforts to transition.

There are also legitimate safety grounds for reducing abolishment costs. We note that there has been an increasing number of dormant connections on Jemena’s network,<sup>13</sup> which could indicate that a number

<sup>8</sup> Grattan Institute - Getting off gas: why, how, and who should pay? (2023); Climateworks Centre – Climate-ready homes: Building the case for a renovation wave in Australia (2023)

<sup>9</sup> Victorian Government, Save with an all-electric home – accessed September 2024

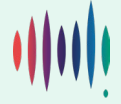
<sup>10</sup> Boston Consulting Group, The role of gas infrastructure in australia’s energy transition – report commissioned by APA Group, Australian Gas Infrastructure Group, and Jemena (June 2023), p. 7

<sup>11</sup> Energy Consumers Australia, How much does going all-electric save a household on their energy bills? (2024)

<sup>12</sup> Ibid.

<sup>13</sup> Australian Energy Regulator, Gas quarterly disconnection reporting – accessed August 2024





of customers have effectively stopped consuming gas but have not requested a formal disconnection. This poses safety concerns.<sup>14</sup> As such, we consider that these disincentives are reduced.

Recently, the AER set Victorian gas abolishment costs to \$220.<sup>15</sup> This was to “address the safety risk of leaving ‘live’ but unused assets in place by removing the incentive for customers seeking to avoid the high cost of permanent abolishment when a connection is no longer required.”<sup>16</sup> We suggest the same price is set in NSW for these same reasons.

## Reject the costs associated with connecting biomethane

Jemena has not demonstrated the necessity of the proposed biomethane projects in this period. The AER should reject the costs associated with these projects because:

- Jemena’s proposal risks misallocating limited biomethane supply;
- Jemena has not demonstrated clear demand for biomethane from industrial consumers; and
- The projects may not be economic given the uncertainty over the future of Jemena’s network business overall.

The only way in which these projects should proceed is if all of their costs are paid by major industrial users. Such an approach would ensure that those who require biomethane as their emissions reduction pathway bear the associated expenses with connecting biomethane to the network.

### Jemena’s proposal risks misallocating limited biomethane supply

Australia’s precious bio-methane reserves should be allocated to hard to decarbonise sectors – not the households and small businesses served by Jemena’s network that pay the 85-90 percent of Jemena’s revenue.

Jemena has proposed several biomethane connection projects, seemingly based on the proximity of feedstock to the existing network.<sup>17</sup> While biomethane could play a role in decarbonising the economy, there remains uncertainty about which end-use customers will rely on these new fuel sources and which industries will find them most valuable. The reality is that Australia’s bio-methane potential is limited, estimated to meet at most only 25% of current Australian gas demand.<sup>18</sup> Small gas users – like households – can more cost-effectively reduce their emissions by electrifying than by using “green” gas, and our small bio-methane reserves can be preserved for the users that need them most.

As an industry-sponsored report summarises, “current projections of biomass in Australia indicate insufficient quantities will be produced to meet the scale required to entirely replace natural gas at costs that are competitive with other forms of decarbonised gas.”<sup>19</sup> The Commonwealth’s Future Gas Strategy makes the conclusion even more concisely: “biomethane is likely to be more valuable to gas users where electrification is not feasible.”<sup>20</sup>

<sup>14</sup> Energy Safe Victoria, Submission to Australian Energy Regulator: Abolishment of gas connection due to electrification (April 2023)

<sup>15</sup> Australian Energy Regulator, News release - AER decision supports Victorian gas consumers in energy transition (June 2023)

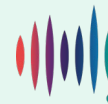
<sup>16</sup> Ibid.

<sup>17</sup> Jemena Gas Network, 2025-30 Proposal Attachment 4.1: Emissions Reduction Program (2024)

<sup>18</sup> Analysis of Department of Industry, Science and Resources, Commonwealth of Australia Future Gas Strategy Analytical Report (May 2024), p. 9-10; ENEA and Deloitte, Australia’s Bioenergy Roadmap, Appendix: Resource Availability (November 2021), Figure 1

<sup>19</sup> Deloitte, Decarbonising Australia’s gas distribution networks (2017), p. 79

<sup>20</sup> The Department of Industry, Science and Resources, Future Gas Strategy (2024), p. 31



If Jemena continues with its proposed biomethane connection projects, there is a risk that Jemena's efforts could result in a misallocation of scarce biomethane resources. Allocating biofuel resources to sectors with alternative decarbonisation pathways could be inefficient and imprudent, potentially overlooking critical applications in harder-to-abate sectors.

Further, we consider it prudent for Jemena to pause its biomethane connection projects until there is greater certainty about the transition pathways for industrial users. The Department of Industry, Science and Resources is currently developing net zero sector plans for industry, resources and the built environment.<sup>21</sup> The New South Wales government is currently developing a renewable fuel strategy for the state.<sup>22</sup> We expect this work will likely assess the availability and economics of biofuel resources and recommend optimal allocation.

### **Jemena has not demonstrated demand for biomethane from its industrial customers**

As far as we are aware, Jemena has not provided information indicating that any of its major industrial customers have expressed demand for biomethane. We imagine Jemena would be engaging with its major industrial customers to understand their emissions reduction plans and determine who is likely to demand these resources. This engagement would also include discussions with suppliers to assess how to provide these resources most efficiently. We hope that Jemena has provided further information to the AER on this engagement.

Some of Jemena's major industrial users might be seeking to reduce emissions and therefore may have a demand for biofuels. These users could be negotiating supply agreements with potential suppliers, similar to how major electricity consumers contract with renewable electricity providers to meet their emissions reduction goals.<sup>23</sup> However, it is not clear whether any major industrial gas users on Jemena's gas network are currently entering into such agreements with biofuel suppliers. This uncertainty further highlights the need for Jemena to carefully consider the prudence of proceeding with these projects at this time.

### **The proposed biomethane projects may not be economic over time**

When evaluating the costs associated with biomethane, it is crucial to adopt a long-term perspective and to assess the economics of biomethane from the customer's viewpoint. The economics of Jemena's services and long-term health of the company is highly dependent on the number of customers it has to share its fixed costs. When customer numbers decline past a certain point, Jemena's cost of service may be too high for any customer to want to remain connected to the network.

Due to the risk of exponentially rising network costs, there is a risk that these biomethane connection projects are never affordable for consumers, rendering them uneconomical and inefficient in the long run. As such, by allowing these projects, the AER would be creating additional asset stranding risks, adding unnecessary burdens on consumers.

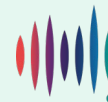
### **Only major users should pay for biomethane connection costs**

In the future, if a supplier and/or user requests a biomethane injection, then it might be prudent for Jemena to undertake network connection and augmentation costs to connect these major users to the

<sup>21</sup> The Department of Industry, Science and Resources, Net zero sector plans for industry, resources and the built environment (2024)

<sup>22</sup> NSW Government, Building a thriving renewable fuel industry in NSW – accessed August 2024

<sup>23</sup> Australian Renewable Energy Agency, Corporate Renewable Power Purchase Agreements In Australia: State Of The Market (2019)



supply. However, in this instance, it would be reasonable and appropriate for the requesting parties to pay the associated network costs required to connect the projects.

Requiring a “user-pays” approach would lead to an efficient allocation of capital and resources as:

- Users with the highest demand for biomethane would pay accordingly, optimising supply and demand.
- Co-locating biomethane projects near industrial users could directly supply clean energy, rather than dispersing it across the network, thereby lowering capital and network augmentation costs and reducing Jemena’s overall service costs.
- This approach mitigates the risk of asset stranding, as costs associated with biomethane projects would be guaranteed over the asset’s lifespan.

## Disallow Jemena’s request for accelerated depreciation

Depreciation is a normal business expense that accrues to and is managed by nearly all businesses. In the context of regulated networks, depreciation plays a larger role, because it defines the timeline over which network businesses recover their costs. Accelerating depreciation for a network business speeds up their cost recovery. Accordingly, it is a payment from today’s consumers to network businesses and has been promoted as a way to reduce risks on the network and its long-term consumers.

The AER has argued that accelerated depreciation “can help maintain intergenerational equity”<sup>24</sup> and has framed accelerated depreciation as a payment from today’s consumers to tomorrow’s. This framing is wrong. Accelerated depreciation is a payment from today’s consumers to network businesses to reduce the business’s exposure to risks and potential financial losses.

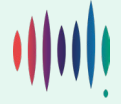
Some argue that if regulators do not allow accelerated depreciation, the outcome increases risk to investors, which will raise the cost of capital within regulated business and potentially in the economy more generally. In practice, the riskier approach is to continue allowing accelerated depreciation, because it puts additional cost and risks on households and small businesses, who are already enormous investors in the clean energy transition. Their sense of fairness and equity is an overriding priority required to maintain the social licence needed to achieve our 2050 (and nearer term) climate and energy targets.

The AER states that “economic regulation is designed to provide a functional proxy for competitive markets,”<sup>25</sup> but does not recognise that in competitive markets, industries change, businesses fail, and investors lose money. The introduction of uber has evolved the transport industry, the telecommunications industry has changed to move from landline to mobile phones; coal plants are being phased out in the electricity industry. Cafes, restaurants, hairdressers, sole traders, and other small businesses throughout Jemena’s service area regularly invest in assets needed to run their business. If they fail to attract or retain sufficient consumers to earn enough revenue to recover their costs, they are forced to sell or simply abandon those assets.

The risks to the future of the gas network primarily result from consumers choosing to switch to all electric homes. Consumer choice is a foundational element in the current regulation of energy services in Australia. Accelerated depreciation puts cost on one consumer for another’s choice to use electricity

<sup>24</sup> Australian Energy Regulator, Regulating gas pipelines under uncertainty (November 2021), p. 31.

<sup>25</sup> Ibid, p. 28



as their sole networked energy solution. We view it as problematic to increase consumer costs simply because consumers exercise their foundational right to choose the energy solution they prefer.

In summary, accelerated depreciation shifts the risk of stranded assets away from network companies and onto consumers. It shields network businesses from risk by having consumers pay more today to remove it. Accordingly, accelerated depreciation is not in the long-term consumer interest.

## Require a long-term asset management plan to reduce risks

The Dynamic Analysis report finds that by reducing discretionary capital expenditure, Jemena reduces the asset base more long-term than it would by the proposed levels of accelerated depreciation. This analysis shows that addressing asset stranding risk involves more than just financial considerations; it requires identifying specific risks and carefully planning and reviewing investment decisions.

Conceptually, there are two types of stranding risks Jemena faces:<sup>26</sup>

- **Physical stranding:** where assets are no longer used. This risk would apply primarily to assets that only serve residential customers (and potentially small business customers). This risk may not apply to assets that serve industrial users, particularly if they continue to find electrification expensive or impossible.
- **Economic stranding:** where assets remain in use, but the capital costs are spread over a customer base that is not willing to pay for the services. This would in theory apply to all of Jemena's assets if Jemena's business model is too expensive for industrial users.

Jemena has proposed accelerated depreciation on assets used mostly by residential and small business customers. This is presumably to reduce physical stranding risks, as demand is most likely to decline for these customers.<sup>27</sup>

*“we opted to transfer value from only the [medium pressure] Services asset class. This is because our medium pressure network serves predominantly residential and small business customers, who are more likely to transition away from gas. While stranding risks are present across our entire network, the medium pressure segments face higher risks compared to our high pressure network. For simplicity, we opt to focus on a single asset class to implement accelerated depreciation.”*

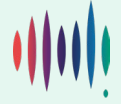
As Jemena forecasts ongoing demand from industrial users,<sup>28</sup> there are likely many assets in Jemena's portfolio that are viewed as not being at risk of physical stranding. However, Jemena provides little information on what these assets are.

Jemena must provide more information about which assets are, and are not, at risk of stranding. Specifically, Jemena must provide better information on the location of major industrial users and which assets serve these customers. Additionally, where available, Jemena should identify the emissions reduction plans of their major industrial users and note where and how they align and misalign with Jemena's future network plans.

<sup>26</sup> Nera Economic Consulting, Stranding risk for gas networks – report prepared for Jemena Gas Networks (2021)

<sup>27</sup> Jemena Gas Network, 2025-30 Proposal Attachment 7.3: Depreciation approach (2024), p. 40

<sup>28</sup> Jemena Gas Network, 2025-30 Future of gas model (2024)



More broadly, Jemena must provide additional information on the risks associated with its assets and the long-term asset management plans for each asset to minimise future stranding risks. The information required includes:

- Asset condition and projected end-of-life dates
- Potential for non-replacement solutions (e.g. consider whether alternatives to major replacements are feasible for the assets in question)
- Actual and forecast demand for each asset up to 2050

With this data, Jemena should outline major replacement and augmentation projects that are likely to be required post 2030. This analysis will identify future assets that are at risk of physical stranding and can be used to propose strategies to address these risks. This comprehensive approach will enable Jemena to make informed decisions about investment prioritisation and asset management as demand decline. Such a proactive strategy is crucial for managing the transition and ensuring the long-term viability and efficiency of its network operations.

## **Discount the approach to consumer engagement**

As an organisation, Energy Consumers Australia understands how difficult consumer engagement and surveying can be – we continue to conduct the most comprehensive and long-term surveying of household and small business energy consumers in Australia. We appreciate the diligence, time, resources, and effort Jemena placed into understanding consumers perspectives on elements of their Plan. Nevertheless, Jemena’s engagement program for this plan should not be used as a marker of legitimate consumer interest.

This is most evident when looking at proposed accelerated depreciation. In Jemena’s consumer engagement and polling for the plan, they did not present consumers with an option for no accelerated depreciation – the default option for network depreciation.

We value and appreciate the lengths Jemena has gone to in order to educate consumers and gauge their responses to elements of Jemena’s plan. Nonetheless, polling 40 consumers with a threshold of being able to “live with” an investment decision is not a sufficiently robust and methodologically valid approach to engagement to use as a reliable marker for actual consumer sentiment towards the plan. It may be that the future of the gas network is simply too complex a topic to rely upon the engagement approach used.

No one representing Energy Consumers Australia participated in the Advisory Board that Jemena used to help develop its approach to consumer engagement for the plan. We have spoken at length with Douglas McCloskey, who was a member of the Advisory Board, and we endorse his and the Justice and Equity Centre’s perspective on Jemena’s approach to consumer engagement.

# The national voice for residential and small business energy consumers



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