



Jemena Gas Networks (NSW) Ltd

2025-30 Access Arrangement Proposal

Attachment 1.2

Background to JGN's 2025-30 Access Arrangement Proposal



Table of contents

Abbreviations	iii
1. About this Access Arrangement Revisions Proposal	1
1.1 Purpose of this access arrangement revisions proposal	1
1.2 Purpose of AAI	1
1.3 Interpretation	1
1.4 Compliance of the 2025 AA Proposal	2
1.5 Regulatory framework	2
1.6 Confidential information	3
2. Background to Jemena Gas Networks	4
2.1 Description of Jemena Gas Networks	4
2.2 JGN's existing regulatory obligations	7
2.3 Network ownership context	8
2.4 Service provider	9
2.5 Associate contracts where JGN is service provider	9

Abbreviations

AA	Access Arrangement
AAI	Access Arrangement Information
AA RIN	Access Arrangement Regulatory Information Notice
AA RIN Response	JGN's response to AA RIN
AEMO	Australian Energy Market Operator
EGP	Eastern Gas Pipeline
Gas Supply Act	Gas Supply Act 1996 (NSW)
Jemena Colongra	Jemena Colongra Pty Ltd
JGN	Jemena Gas Networks (NSW) Ltd
MSP	Moomba to Sydney Pipeline
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
Pipelines Act	Pipelines Act 1967 (NSW)
RSA	Reference Service Agreement
RY	Regulatory Year
SGSPAA	SGSP (Australia) Assets Pty Ltd
STTM	Short Term Trading Market
UAG	Unaccounted for Gas

1. About this Access Arrangement Revisions Proposal

This document describes the purpose and form of JGN's 2025 Access Arrangement (**AA**) revisions proposal, and provides background information on JGN.

1.1 Purpose of this access arrangement revisions proposal

This Access Arrangement Information (**AAI**) has been prepared by Jemena Gas Networks (NSW) Ltd (JGN) (CAN 003 004 322). It provides the background to, and supporting information for, the AA revisions proposal applicable to the NSW natural gas distribution network owned, controlled and operated by JGN for the period 1 July 2025 to 30 June 2030 (**2025-30 AA period**).

This AAI, which is comprised of the 2025 Plan, including all of the supporting information contained in its attachments, and the 2025-30 Access Arrangement revisions proposal are collectively referred to as JGN's **2025 AA proposal**. *JGN- Att 1.1 - Document map - 20240628* provides a submission matrix, which identifies the documents making up JGN's 2025 AA proposal.

The current JGN access arrangement¹ (**2020-25 AA**) details the commercial and technical terms and conditions upon which JGN offers access to reference services to users and prospective users of the JGN network.

Under section 113 of the National Gas (NSW) Law (NGL), rule 52(1) of the National Gas Rules (**NGR**) and clause 1.3 of the 2020-25 AA, JGN must, by 30 June 2024, submit revisions to the 2020-25 AA for the AER's approval. The revisions will apply for the 2025-30 AA period. The proposed revisions are set out in JGN's 2025 AA proposal. *JGN - Att 9.1 - Explanation of proposed revisions to the 2020-25 AA - 20240628* provides an explanation of the proposed revisions.

The Reference Service Agreement (**RSA**)—which sets out the terms and conditions for the provision of the reference service—remains a schedule to the AA. *JGN - Att 9.2 - Explanation of proposed revisions to 2020 RSA - 20240628* provides additional background to the proposed revisions to the RSA.

1.2 Purpose of AAI

Pursuant to rule 42(1), the purpose of this AAI is to provide information that is reasonably necessary for users and prospective users of the JGN network to understand:

- the background to the 2025 AA proposal
- the basis and derivation of the various elements of the 2025 AA proposal.

Additionally, this AAI includes the information specifically required by the NGL (rule 42(2)).

1.3 Interpretation

This AAI adopts the following drafting conventions:

- monetary values are reported in real 2024-25 Australian dollars, unless indicated otherwise
- annual values are reported on a 1 July to 30 June regulatory year (**RY**) basis, unless indicated otherwise
- numerical values in tables may not tally due to arithmetic rounding
- reference to a “rule” is a reference to a rule from the NGR
- the document “Access Arrangement JGN's NSW gas distribution networks 1 July 2025 – 30 June 2030” is referred to in this 2025 AA submission as the 2020-25 AA.

¹ AER, Access Arrangement JGN's NSW gas distribution networks 1 July 2020 – 30 June 2025.

- references to the '2025-30 AA period' or 'current AA period' refer to the period commencing 1 July 2025 and ending 30 June 2030
- references to the '2025-30 AA period' or 'next AA period' refer to the period commencing 1 July 2025 and ending 30 June 2030.

An abbreviations list is also provided within each attachment of the AAI.

1.4 Compliance of the 2025 AA Proposal

- The 2025 AA proposal complies with applicable requirements of the NGL and the NGR. Specific requirements of the NGR are addressed in relevant sections of the 2025 AA proposal. A compliance checklist cross-referencing the relevant NGL and NGR compliance requirements with the 2025 AA proposal content is provided in *JGN - Att 1.3 - 2025-30 AA proposal compliance checklist - 2024628*.
- On 23 February 2024 the AER served JGN with a regulatory information notice to assist the AER's assessment of the 2025 AA proposal (**AA RIN**). JGN's response to AA RIN has been provided separately to the 2025 AA proposal (**AA RIN Response**). JGN's AA RIN Response and 2025 AA proposal cross-refer to each other where appropriate.

1.5 Regulatory framework

The provisions of the NGL set the overarching framework in which the 2025 AA proposal will be assessed. The objective of the NGL is the National Gas Objective (**NGO**). JGN has carefully considered the meaning and practical implications of the NGO, and associated revenue and pricing principles in preparing its 2025 AA proposal.

NGL sections 23, 24 and 72A

23 – National gas objective

The objective of this Law is to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to—

- (a) price, quality, safety, reliability and security of supply of covered gas; and
- (b) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia's greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

Note—

The AEMC must publish targets in a targets statement: see section 72A.

72A—Targets statement for greenhouse gas emissions targets

- (1) The AEMC must prepare and maintain a document (the targets statement) stating the targets set by a participating jurisdiction mentioned in section 23(b).
- (2) If the MCE or a Minister of a participating jurisdiction gives a written direction to the AEMC to include a target in, or remove a target from, the targets statement, the AEMC must comply with the direction.
- (3) A Minister may give a written direction under subsection (2) only in relation to a target set by the Minister's participating jurisdiction.
- (4) The AEMC must publish on its website—

(a) the targets statement; and

(b) each direction given under subsection (2).

(5) In having regard to the national gas objective under this Law, the Regulations or the Rules with respect to the matters mentioned in section 23(b), a person or body must consider, as a minimum, the targets stated in the targets statement.

24—Revenue and pricing principles relating to scheme pipelines

(1) The revenue and pricing principles that apply in relation to a pipeline service provided by means of a scheme pipeline are the principles set out in subsections (2) to (7).

(2) A scheme pipeline service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in—

(a) providing reference services; and

(b) complying with a regulatory obligation or requirement or making a regulatory payment.

(3) A scheme pipeline service provider should be provided with effective incentives in order to promote economic efficiency with respect to reference services the service provider provides. The economic efficiency that should be promoted includes—

(a) efficient investment in, or in connection with, a pipeline with which the service provider provides reference services; and

(b) the efficient provision of pipeline services; and

(c) the efficient use of the pipeline.

(4) Regard should be had to the capital base with respect to a pipeline adopted—

(a) in any previous—

(i) access arrangement decision; or

(ii) decision of a relevant Regulator under section 2 of the Gas Code;

(b) in the Rules.

(5) A reference tariff should allow for a return commensurate with the regulatory and commercial risks involved in providing the reference service to which that tariff relates.

(6) Regard should be had to the economic costs and risks of the potential for under and over investment by a scheme pipeline service provider in a pipeline with which the service provider provides pipeline services.

(7) Regard should be had to the economic costs and risks of the potential for under and over utilisation of a pipeline with which a scheme pipeline service provider provides pipeline services.

1.6 Confidential information

JGN - Att 1.4 - Confidentiality claims in JGN 2025-30 AA proposal sets out specific sections of JGN's 2025 AA proposal that JGN claims to be commercial-in-confidence and the basis of the claim.

2. Background to Jemena Gas Networks

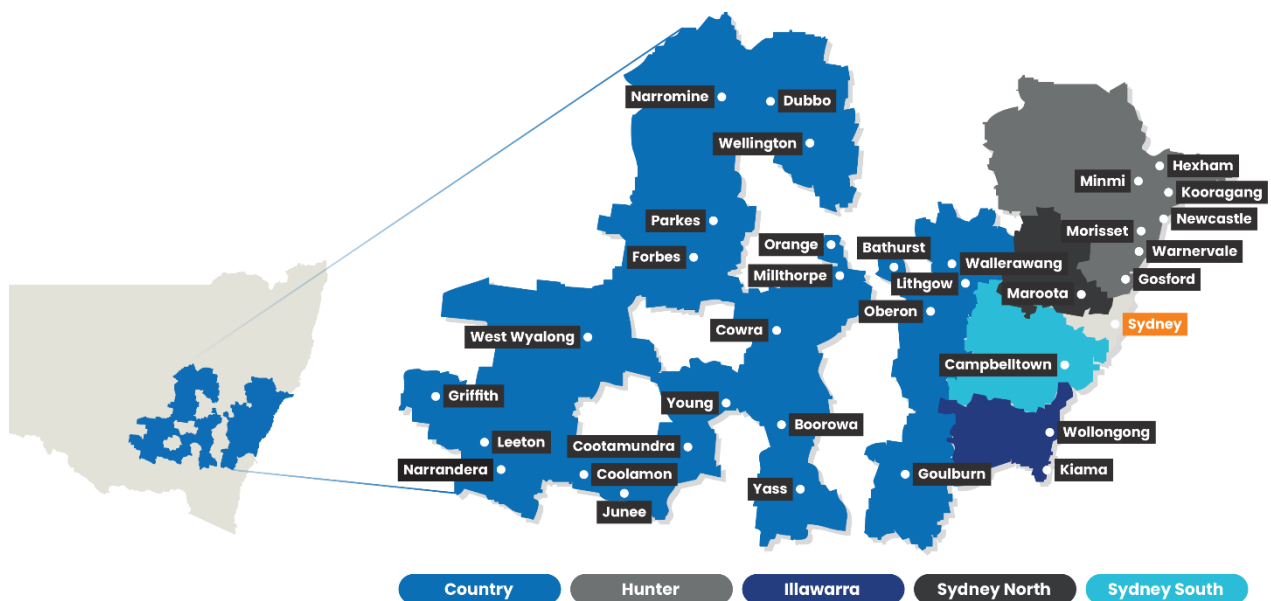
2.1 Description of Jemena Gas Networks

JGN provides gas transportation and associated services to users of the JGN network (Users).

2.1.1 Current configuration and operation

The JGN network has its origins in 1837 when The Australian Gas Light Company was formed to light the streets of Sydney. The network has grown through a combination of extensions, new developments and acquisitions. It now provides gas to 1.5 million customers in Sydney, Newcastle, Wollongong and the Central Coast, and over 20 country centres including those within the Central Tablelands, Central West, Southern Tablelands and Riverina regions of NSW (refer to Figure 2–1).

Figure 2–1: Map of Jemena Gas Networks



Our network consists of approximately:

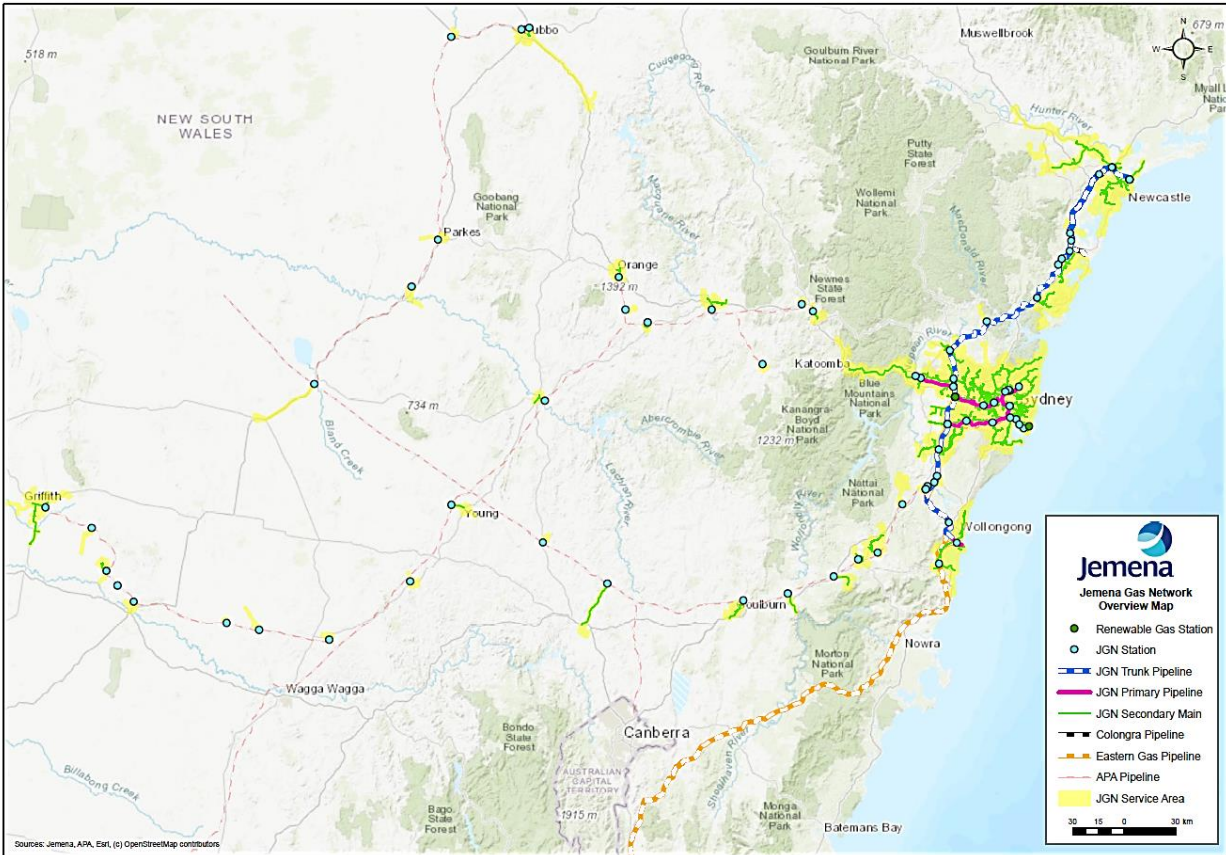
- 271 km of trunk mains
- 144 km of primary mains
- 1,459 km of secondary mains
- 24,440 km of medium and low pressure mains
- 29 trunk receiving stations
- 26 packaged off-take stations
- 16 primary regulating stations
- 4 bulk metering stations.

The majority of gas consumed in NSW is sourced from other states. Interstate gas is transported to NSW via two main gas transmission pipelines (refer to Figure 2–2):

- the Moomba to Sydney Pipeline (**MSP**), owned by APA Group, which principally transports gas from southern Australia and Queensland to NSW
- the Eastern Gas Pipeline (**EGP**), owned by Jemena, which transports gas from Victoria to NSW

There are also NSW injection points into the JGN network, AGL's gas storage facility at Hexham and Tomago, and at 32 country locations.

Figure 2-2: Delivering gas to the JGN network



Users are responsible for ensuring enough gas is injected into the JGN network at each of 41 metered receipt points to meet their customers' needs at any point in time. Once injected into the network, JGN has contractual obligations with Users to transport that gas through the network to the Users' customers' premises. Custody transfer quality meters are located near each receipt point to measure the quantity of gas injected into the network.

The JGN Wilton network section which serves the Sydney, Newcastle and Wollongong areas is the Short Term Trading Market (**STTM**) distribution system for the STTM Sydney Hub and gas delivered to receipt points in this network section is governed by STTM rules and procedures. The STTM is a market-based wholesale gas balancing mechanism established at defined gas hubs such as the STTM Sydney Hub and allows Users to buy gas directly from the STTM rather than through a shipper or producer. The Australian Energy Market Operator (**AEMO**) operates the STTM. While the STTM Sydney Hub is governed by the STTM, JGN's country network sections operate solely under a contractual supply chain framework. This means that Users still need to procure gas from a shipper or producer and arrange for that gas to be transported to receipt points for those network sections.

As the JGN network has limited gas storage capacity, to maintain operational gas pressure throughout each network section and ensure the safe and reliable operation of the network, there are contractual obligations on Users to ensure the total quantity of gas injected and withdrawn from each network section on a day is equal—or balanced. There are also obligations on Users to ensure that the gas that is injected into JGN's network meets a defined gas specification and is injected within the minimum and maximum gas pressure range for the relevant receipt point. For the STTM Sydney Hub, the expectation is that the STTM will manage gas balancing behaviours through financial incentives and penalties. JGN deems each country network section to be in balance, unless an additional receipt point is added, at which time the affected country network section will be balanced in accordance with the updated JGN Gas Balancing Policy.

2.1.2 Users and services

JGN's principal activity is to transport gas through its network to its Users' customers' premises. In the case of the STTM Sydney Hub, JGN transports gas that has been delivered into the STTM Sydney Hub (JGN's Wilton, Horsley Park, Albion Park, Rosalind Park, Port Kembla, Tomago or Hexham receipt points) to Users' customers' premises. In JGN's country network sections, JGN transports gas that has been delivered to the relevant country network section receipt point to Users' customers' premises. JGN has contractual arrangements with Users to charge them for this transportation service. JGN also provides gas metering equipment at customers' premises and associated services to read the quantity of gas flowing through the gas meters. As part of its contractual arrangements with Users, JGN procures gas to replenish the difference between the measured quantities of gas entering and leaving the network, known as unaccounted for gas (**UAG**).

JGN also undertakes certain activities for Users that are ancillary to transportation services. JGN charges ancillary fees for these activities which include disconnection, abolishment of supply and special meter reading.

As set out in *JGN - Att 10.1 - Pricing*, JGN will make available to Users two reference services which provides for:

- **The Transportation Reference Service**, which is a service for:
 - the transportation and delivery of covered gas by the Service Provider through the Network to an eligible Delivery Point; and
 - meter related services including:
 - the provision, installation and maintenance of a standard metering installation; and
 - meter reading and associated data activities as appropriate for the required capacity and meter reading frequency, but does not include Ancillary Reference Services.
- The **Ancillary Reference Services** are the following services:
 - Hourly Charge – non-standard User-initiated requests and queries;
 - Disconnection – Volume Customer Delivery Points;
 - Reconnection – Volume Customer Delivery Points;
 - Disconnection (and Reconnection) – Demand Customer Delivery Points;
 - Abolishment;
 - Special Meter Reads; and
 - Expedited reconnection,

set out in the Reference Tariff Schedule of our Access Arrangement as requested by a User for an eligible Delivery Point.

As at March 2024, JGN has 26 retailers and 14 self-contracting users using its reference services.

2.1.3 Customers

We split our customer base into two markets:

- The volume market which consists of residential and small business customers who use less than 10TJ of gas per year and are generally charged on how much gas they consume.
- Our demand market consisting of our largest customers who consume more than 10TJ a year. These customers are primarily charged on how much capacity they require.

During 2022-23, JGN transported approximately 49.4 petajoules (PJ) of gas to its 379² largest customers, who each consume more than 10 TJ per year. These large customers accounted for almost 8% of JGN's transportation revenue during the year. JGN transported 42 PJ of gas for Users who supplied the remaining customers, being those that consume less than 10 TJ of gas per year, and this provided approximately 93% of JGN's transportation revenue for the year.

The number of customers connected to the JGN network in 2022-23, and their gas consumption in that year, are set out in Table 2–1.

Table 2–1: Customers and load by market type during 2022-23

Region	Volume market (<10TJ per year)		Demand market (>10TJ per year)	
	Number	Load (TJ)	Number	Load (TJ)
Coastal	1,410,640	37,269	45	46,692
Country	102,151	4,379	334	2,697
Total	1,512,791	37,269	379	49,389

Note: Gas loads in this table are not weather normalised. Customer numbers are as at 30 June 2023.

2.2 JGN's existing regulatory obligations

Apart from the NGL and NGR, there are three principal regulatory regimes that apply to JGN. JGN notes however that like all significant business undertakings, it is regulated under, and is subject to, a broad range of legislation, including (without limitation) Acts, judicial, regulations and other instruments relating to technical and safety, environmental matters, land access, native title claims, competition and consumer protection, and corporations.

2.2.1 Reticulator's authorisation

JGN currently holds a gas reticulator's authorisation to operate the JGN network as required by the Gas Supply Act 1996 (NSW) (Gas Supply Act). The NSW Department of Planning administers the Gas Supply Act, with IPART undertaking certain regulatory functions. The authorisation is subject to certain conditions, including that JGN must maintain prudent insurances and develop and maintain effective compliance management systems. JGN is also subject to the legal obligations that apply to reticulators under the Gas Supply Act and regulations made under the Gas Supply Act. Among other things, the Gas Supply Act requires that JGN be a member of the energy ombudsman scheme and of Dial Before You Dig NSW/ACT Incorporated. The Gas Supply (Safety and Network Management) Regulation 2013 (NSW) requires that JGN lodge, implement and periodically review a safety and operating plan to demonstrate sufficient management systems for safe operation of its gas distribution network.

2.2.2 Pipeline licences

JGN holds five licences under the Pipelines Act 1967 (NSW) (**Pipelines Act**) for the following pipelines:

- Wilton to Horsley Park Natural Gas Pipeline (NSW: Pipeline Licence No 1)
- Wilton to Wollongong Natural Gas Pipeline (NSW: Pipeline Licence No 2)
- Horsley Park to Plumpton Natural Gas Pipeline (NSW: Pipeline Licence No 3)
- Plumpton to Killingworth Natural Gas Pipeline (NSW: Pipeline Licence No 7)
- Killingworth to Kooragang Island Gas Pipeline (NSW: Pipeline Licence No 8).

² Customer numbers as at 30 June of RY23.

Under the Pipelines Regulation 2013 (NSW), JGN must, among other things, implement a pipeline management system in accordance with relevant provisions of AS2885. JGN must also lodge and implement a pipeline management plan that describes and forms part of the pipeline management system. JGN's pipeline management system and plan encompasses all five licensed pipelines.

The Department of Planning and Environment administers the Pipelines Act and Regulation, including having regulatory responsibilities for licences granted under that Act.

The pipelines described above have been classified as distribution pipelines for purposes of regulation under the NGL and NGR.

2.2.3 National Energy Customer Framework

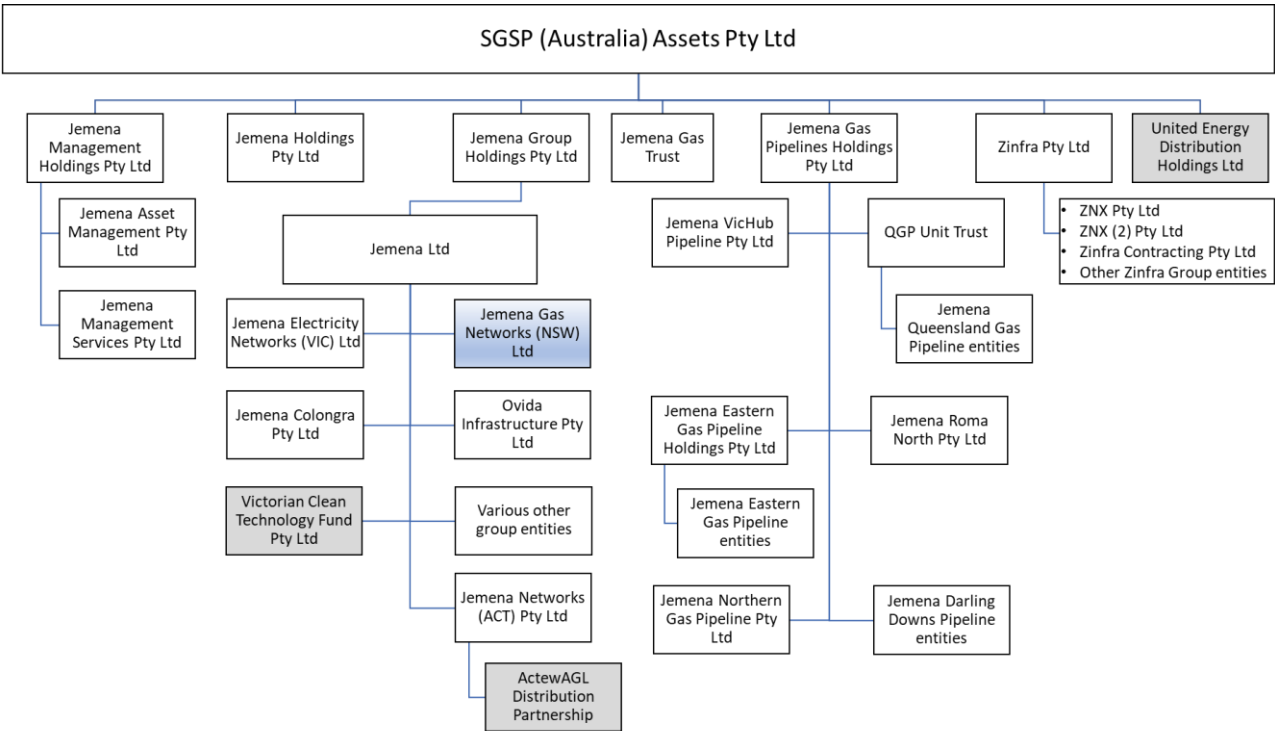
The National Energy Retail Law (NERL) and National Energy Retail Rules (NERR) and associated amendments to the NGR³—together the NECF—commenced in NSW in transitional form on 1 July 2013, and in full on 1 July 2015. NECF, which is administered by the AER, imposes a range of obligations on gas distributors. Under NECF, JGN has a direct contractual relationship with gas consumers as well as with Users.

2.3 Network ownership context

The JGN network is owned by JGN. SGSP (Australia) Assets Pty Ltd (SGSPAA) indirectly owns 100% of the shares in JGN. Singapore Power International owns 40% of the shares in SGSPAA, and State Grid Corporation of China owns 60% of the shares.

Figure 2–3 is a schematic diagram showing entities in the corporate structure of which JGN is a part.

Figure 2–3: SGSPAA structure



³ Principally new parts 12A and 21 in the NGR.

2.4 Service provider

JGN is the sole covered pipeline service provider⁴ in relation to the services that are the subject of the AA.

JGN is also the sole service provider⁵ for the JGN network. As such, JGN operates independently and does not function as a local representative or agent for any other service provider on its network.

2.5 Associate contracts where JGN is service provider

JGN is party to an associate contract concerning an interconnection of downstream network and the novation of certain contractual responsibilities of Delta Electricity under that agreement to Jemena Colongra Pty Ltd (ACN 127 533 519) (Jemena Colongra). The associate contract, titled the Interconnection Side Deed, dated 25 March 2008, partially novates (from Delta Electricity to Jemena Colongra) the terms and conditions under which JGN agreed to design, construct, operate and maintain the delivery station for interconnection with the Jemena Colongra pipeline. This is an associate contract as defined in the NGL as Jemena Limited owns both JGN and Jemena Colongra.

JGN is also a party to the Malabar Connection Agreement, which establishes the interconnection of the Malabar Biogas Processing Facility to JGN and covers the ongoing operation of this interconnection. The agreement includes JGN's standard terms for receipt point agreements with third parties, along with specific terms for the Malabar Biomethane Project. This agreement is between JGN and Jemena Malabar Pipeline Pty Ltd.

⁴ NGL s.2.

⁵ NGL s.8.