

# Jemena Gas Networks

2025-30 Access arrangement  
Online Public Forum



## Acknowledgement of Country

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Today I am presenting from Naarm, also known as Melbourne, part of the Kulin Nation.

The AER acknowledges the Traditional Custodians of the lands upon which we meet today.

We acknowledge their enduring connection to the land, sea and community.

We pay our respects to them, their cultures, and to their Elders past, present and future.



# AER welcome and introductions

Lynne Gallagher  
AER Board Member

# Agenda



Topic	Speaker	Duration
Welcome/ Acknowledgment of country	Lynne Gallagher, AER Board member	5 mins
Jemena business presentation	David Gillespie, Managing Director	15 mins
Overview of Issues Papers	Arek Gulbenkoglu, General Manager	10 mins
Facilitated Q&A	Lynne Gallagher, AER Board member	45 mins
Closing remarks, next steps - submissions 12 May	Lynne Gallagher, AER Board member	5 mins

# JGN – Initial AA Proposal public forum

# Reminder: why this Access Arrangement review is different

## An evolving policy and regulatory environment

Jurisdiction	2030 Target	2035-45 targets	2050 target
Commonwealth	43% below 2005 levels	-	Net zero
NSW	50% below 2004 levels	70% below 2005 levels by 2035	Net zero

- Evolving renewable gas policy environment as demonstrated through:
  - GreenPower Renewable Gas Certification Scheme
  - Commonwealth Government's Future Gas Strategy
  - NSW Renewable Fuel Strategy
  - NSW Renewable Fuel Scheme
- Safeguard Mechanism reform
- NGO updated to include an emissions reduction objective.
- Regulatory framework recognises renewable gases.
- AER's regulating pipelines under uncertainty - how to deal with expected declines in natural gas demand.

## Broad recognition that the **role of gas networks is changing**:

- AEMO forecasting significant declines in natural gas consumption in the period to 2050.

## **Despite future uncertainty, we must continue to meet our obligations:**

- Regulatory obligations on safety, reliability, security, and the environment are **key drivers of our expenditure** forecasts.
- This includes our obligations to make connection offers to customers - **our network is still growing.**

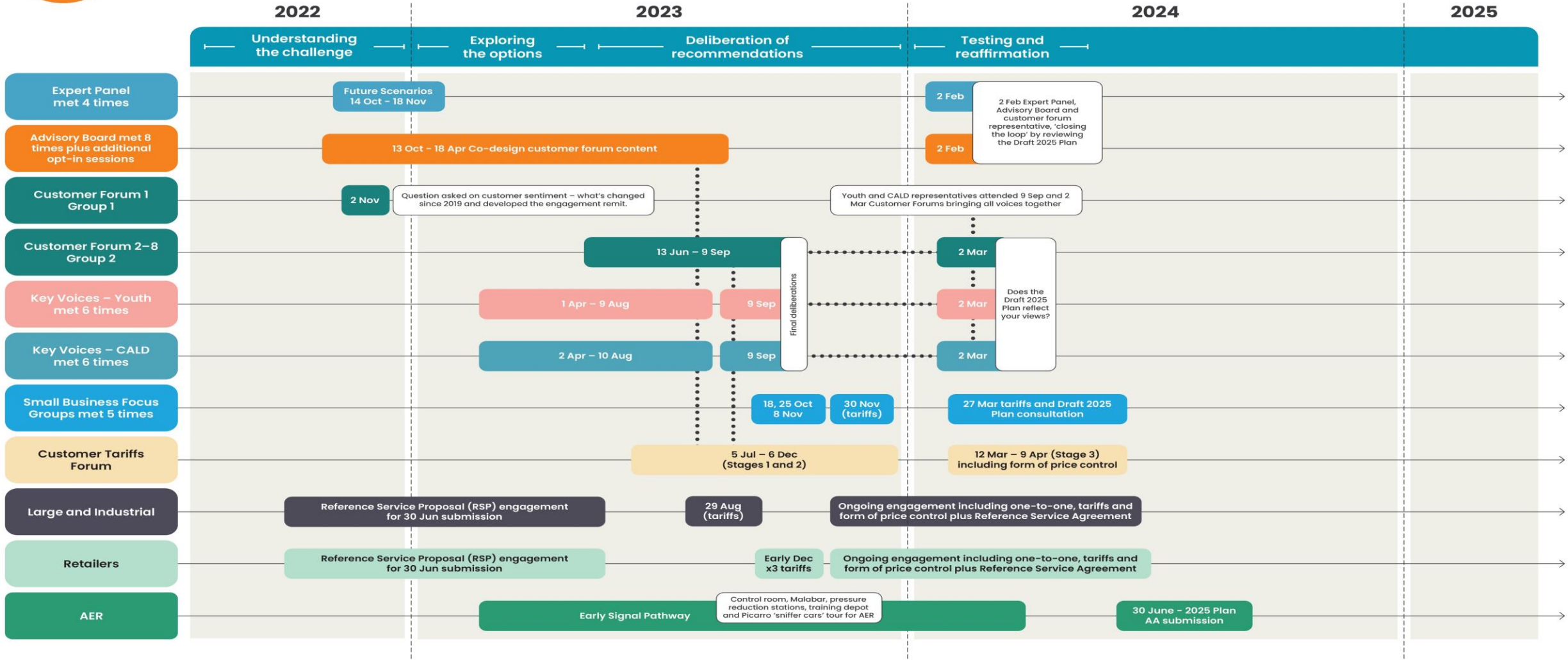
## **An urgent need for action:**

- Still much uncertainty around the likely pace of the transition, but **if we do not act now customers will be worse off over the long term.**
- Our 2025 Plan includes a suite of **complementary, measured initiatives** to address future uncertainty and to support a smoother transition to net-zero.





# Overview of our Customer and Stakeholder Engagement Program



## Customer engagement in numbers

<b>221</b>	Stakeholders and customers engaged	<b>99</b>	Face-to-face and virtual meetings	<b>6</b>	Sessions with young people and CALD community representatives	<b>13</b>	Small businesses attended <b>5</b> focus groups
<b>206</b>	Hours of engagement	<b>8</b>	Customer forums with <b>40+</b> customers	<b>4</b>	Expert Panel workshops with <b>6</b> members	<b>3</b>	Workshops with <b>23</b> large users
<b>6,000+</b>	Visits to our online engagement platform <a href="http://yournetwork.com.au">yournetwork.com.au</a>	<b>6</b>	Workshops with gas retailers	<b>15</b>	Advisory Board workshops with <b>10</b> members	<b>12</b>	Customers contributed to <b>23</b> hours of deliberation in our tariffs customer forums

# How customer feedback shaped our 2025 Plan

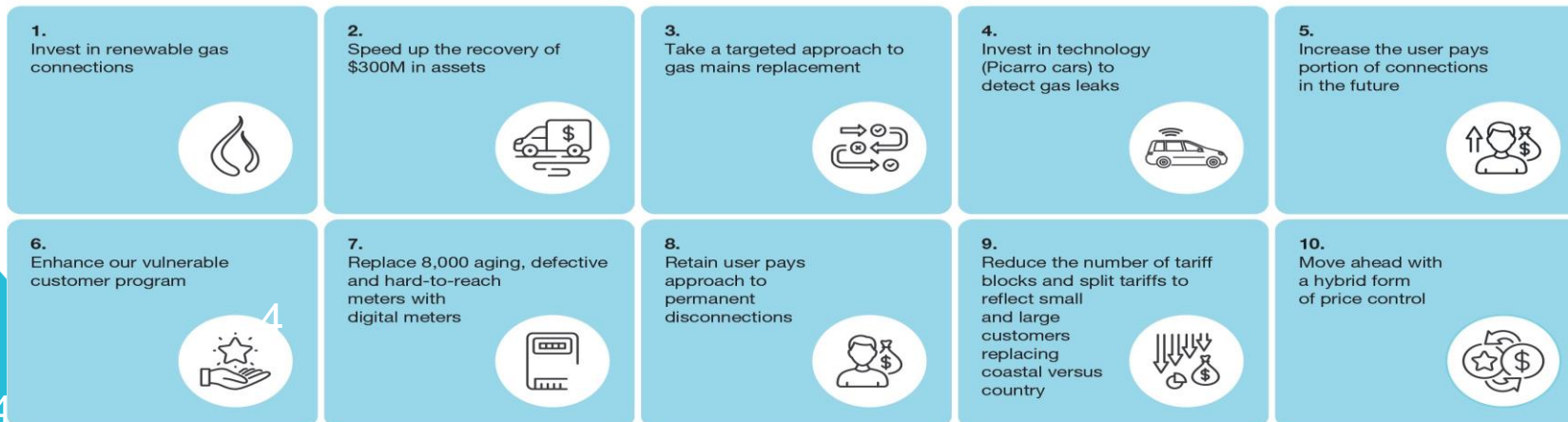
## Customer Values



## Customer Recommendations

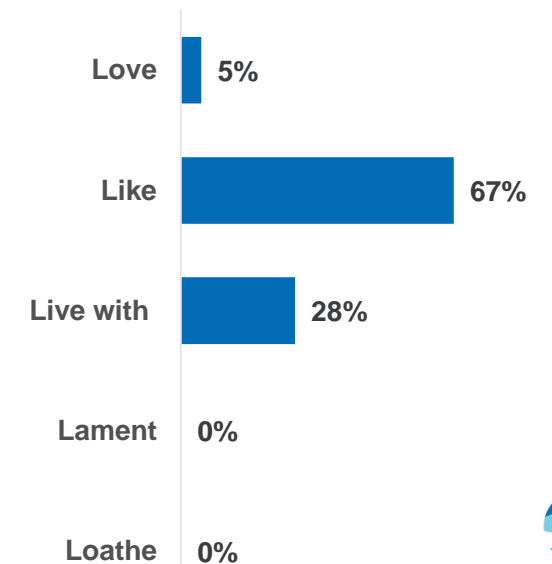


## 2025 Plan Initiatives



Customer Forum participants were asked to consider the plan and reflect on whether Jemena got the balance right between affordability, fairness and uncertainty.

100% support for the 2025 Plan and the balance was right





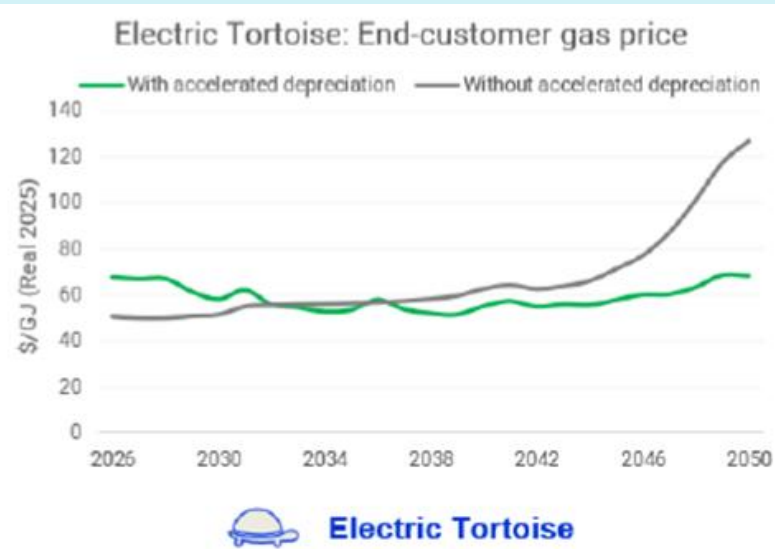
# Responding to uncertainty

## Accelerated depreciation

Our 2025 Plan proposes \$300M of accelerated depreciation of our existing RAB.

Supports long term price stability and affordability whilst mitigating asset stranding risks.

## JGN prices with and without depreciation



## Targeted approach to asset management

Proposing a targeted approach to asset rehabilitation which involves replacing 125 km of gas mains with a proposed capex allowance of \$56M.

The purchase of gas leakage detection technology (Picarro) is necessary to support this approach to asset management and our emissions reduction program.

Minimises the growth in our asset base.

## Renewable gas

Our 2025 Plan includes \$83M capex to connect 8 biomethane facilities to our network.

As biomethane is a renewable form of methane, there is no need to modify our network, customer homes or industrial processes.

Renewable gases are **carbon neutral** and can be used to displace natural gas.

## Connections Policy

We propose updating our Model Standing Offer to reduce the number of free connections provided to customers.

Reduces connections capex and the growth in our asset base.

# Measuring and reducing emissions



Our emissions reduction program is a key aspect of our 2025 Plan

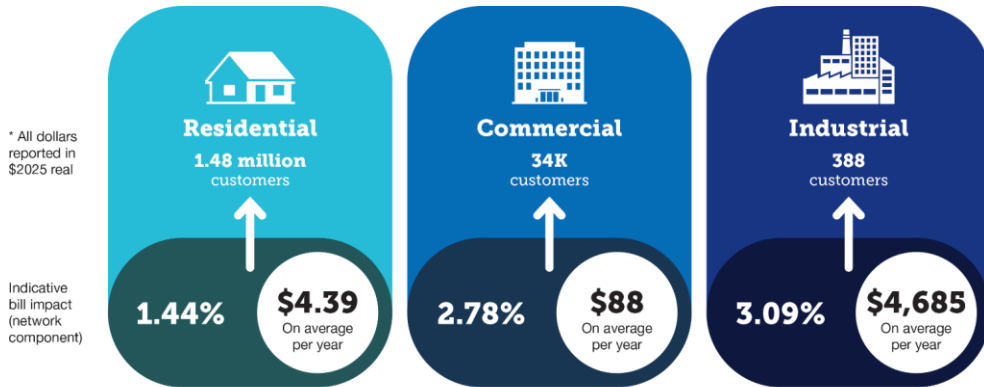
Emission reduction initiatives	Driver	Total
Emissions measurement (Picarro)	Supports our approach to asset management utilising technology and reflects accepted good industry practice.  Customers strongly supported this approach to asset management as it will better enable us to reduce emissions instead of buying carbon credits.	\$20.8M opex
Purchase of ACCUs	Safeguard Mechanism establishes a greenhouse gas emission threshold - requirement to reduce emissions by 30% by 2030.	\$10.4M opex
Renewable gas	Supports the achievement of NSW and Australian emissions reduction targets and the NGO.	\$83M capex
Emissions reduction – Climate reporting	New regulatory obligation through the introduction of the ISSB.	\$3.6M opex

## Picarro

- Enables direct measurement of gas leakage, helping us understand the true scale of JGN's emissions and the financial implications of mitigation
- Allows for more precise identification of leaks, and prioritisation of repairs within our network.
- Supports our proactive approach to asset management and will help us manage our climate impact by reducing emissions.
- Helps ensure public safety by reducing the risk of leaks from the gas network.

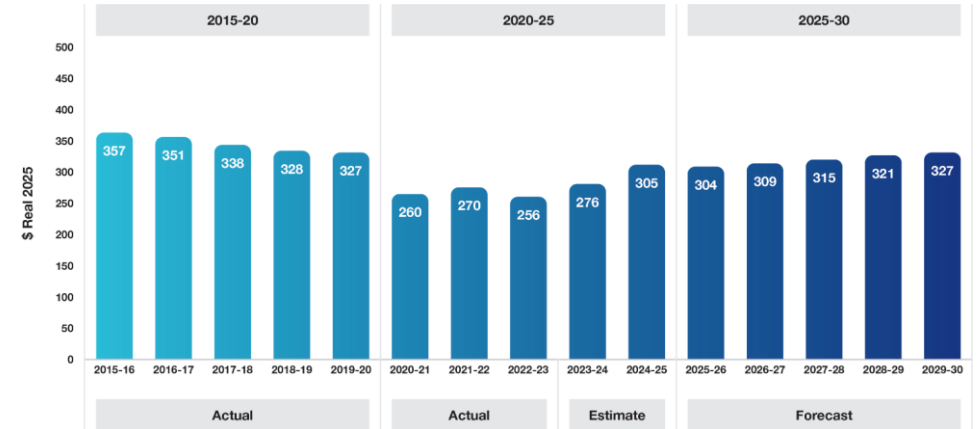
# What our 2025 Plan means for customers

## Network bill impacts of our 2025 Plan (excluding the impacts of inflation)



\*\* Note the price impacts are calculated based on 15 GJ annual consumption for a residential customer, 500 GJ for a commercial customer, and 350 GJ of Chargeable Demand for an industrial customer.

## Annual network bill for a typical residential customers consuming 15 GJ per annum



We are cognisant of the price impacts on customers both now and into the future.

While some of the initiatives in our 2025 Plan place an upward pressure on customers' bills in the next five-year period, they will:

- provide greater stability to prices over the long term and
- support the efficient future utilisation of our gas network.

Recognising that price fluctuations can negatively impact customers' ability to balance household budgets, we have proposed a smoothed network bill over the 2025 Plan period.

- Deliver reduced emissions** to meet NSW legislated target reductions consistent with our emissions strategy
- Connect 70,000 homes and businesses** across NSW and look after our existing customer base
- Complete our vulnerable customer strategy** and support to vulnerable customers
- Replace manual inspections with **new technology** to efficiently detect leaks
- Replace **8,000 ageing meters** with new digital meters so customers receive accurate bills
- Renew 120 km of old mains** targeting leaks and maintaining the reliability and safety of the network
- Continuing cloud based software** and remote working to enhance security and efficiency
- Plan for the future** by proposing eight new biomethane renewable gas connection projects

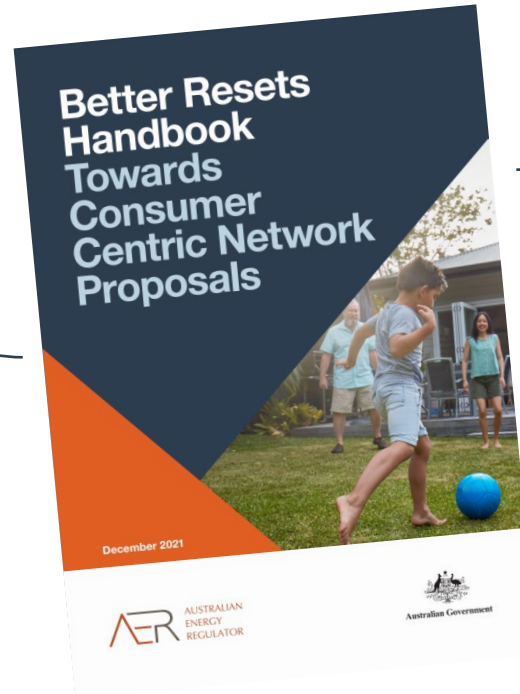


# Overview of Issues Paper

Arek Gulbenkoglul  
General Manager,  
Network Expenditure

# Better Resets Handbook

Sets out the **AER's expectations** for **consumer engagement** by the network in formulating a regulatory proposal



Sets out the AER's expectations for **expenditure forecasts**

Where a proposal **meets expectations** the AER can undertake a **targeted review**

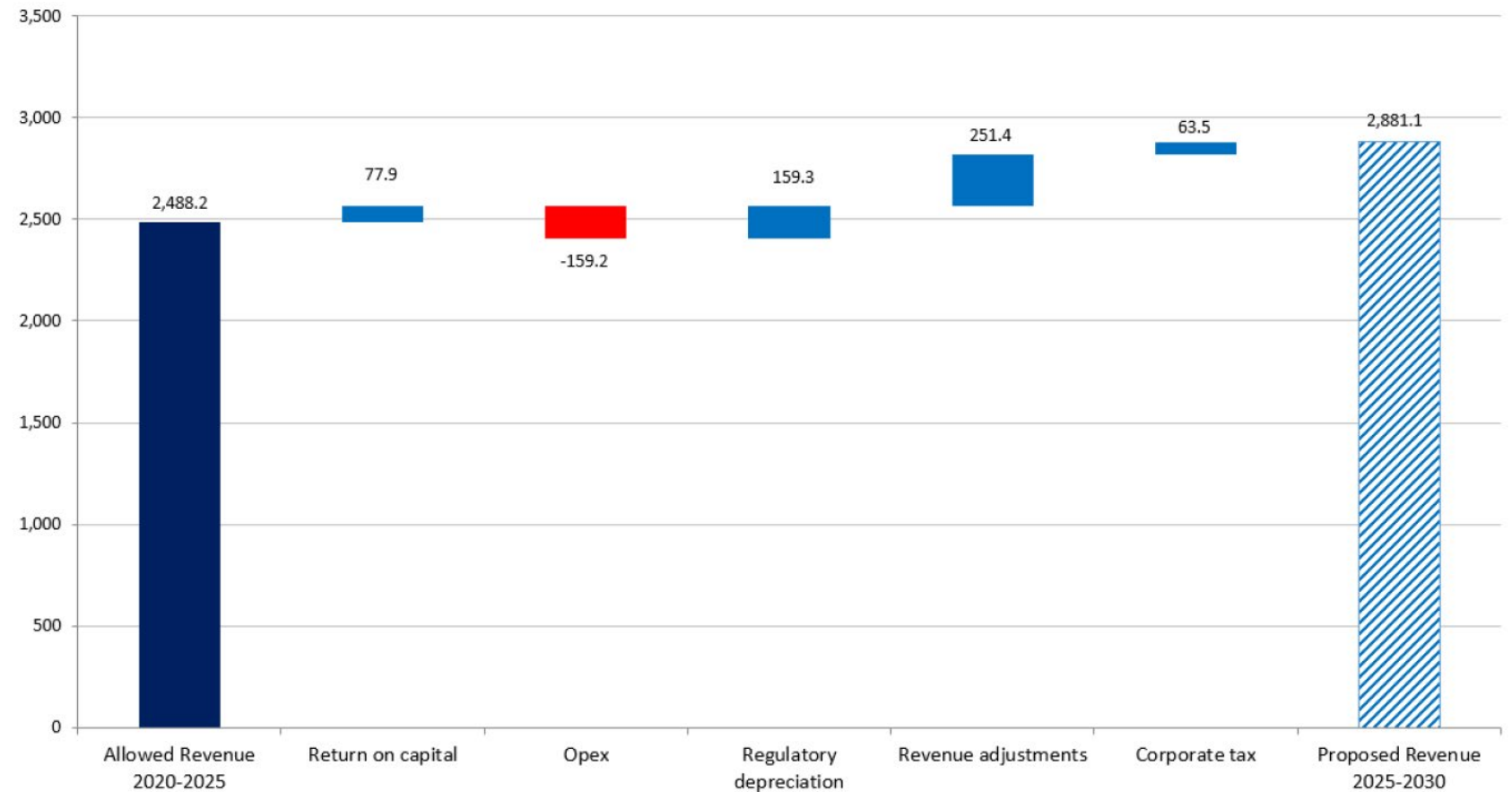
## Early signal pathway

- Network commits to develop proposal with consumers
- AER provides feedback before lodgment
- AER gives an 'early signal' (ie pre-draft decision) on areas for targeted review

# Key drivers of JGN's proposed revenue

Changes in building blocks between the 2020-25 and 2025-30 periods (\$million, 2024-25)

- In real terms, JGN's proposed revenue is \$2,882.5 million (smoothed) over the 2025– 30 period.
- This is a \$403.9 million (16.3%) increase compared to the current 2020– 25 period





## JGN's proposed closing capital base value over time (\$million, 2024-25)



## Consumer engagement

- High quality consumer engagement is essential for ensuring that networks provide the services that meet the needs of their consumers, at a price that is affordable and efficient.
- Our expectations on consumer engagement are principles-based cover,
  - the nature of engagement
  - the breadth and depth of engagement
  - clearly evidenced impact of this engagement
- Overall, JGN has delivered a well-planned, comprehensive, and high-quality consumer engagement program.

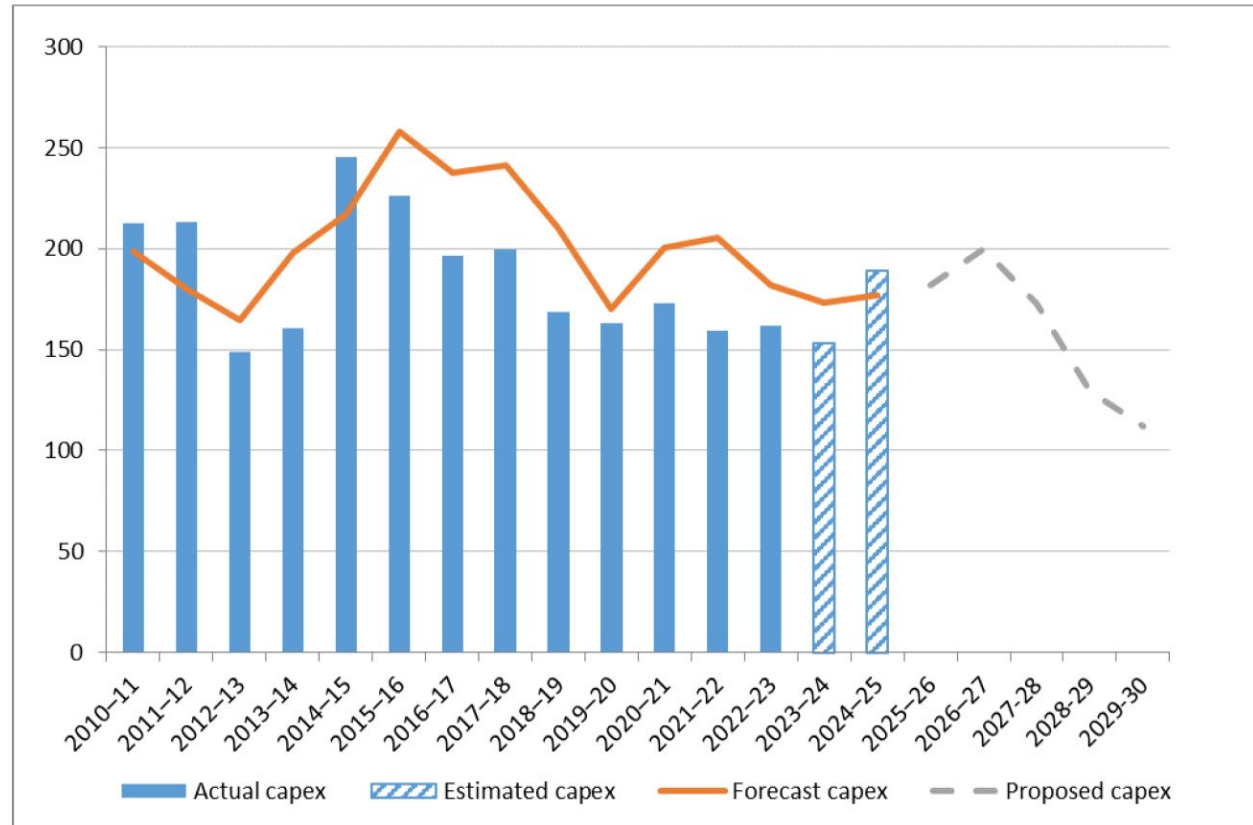
## JGN's proposed accelerated depreciation

- Accelerated depreciation is the current regulatory tool we are using in managing demand uncertainty - including factors such as asset stranding risk, price stability and inter-generational equity issues.
- JGN's proposed \$300 million (\$2024-25) of accelerated depreciation relating to uncertainty around the future usage of its gas network.
- This represents about 10% of JGN's proposed total revenue.
- JGN's proposed accelerated depreciation amount per customer (\$198 per customer (\$2024-25)) and as a proportion of its opening capital base (7.8%) are both higher than those corresponding aggregated measures approved for the Victorian gas distributors.



# JGN's proposed capital expenditure

Total capital expenditure over time (\$million, 2024-25)



Capex Category	Actual and estimated 2020-25 capex	Proposed 2025-30 capex	Change (%)	Proportion of net capex (%)
Connections	428.4	338.9	-20.9%	42.8%
Connections - Non-renewable	425.7	258.1	-39.4%	32.6%
Connections - Renewable <sup>a</sup>	2.7	80.8		10.2%
Mains replacement	35.4	62.5	76.6%	7.9%
Mains augmentation	11.6	15.1	30.2%	1.9%
Telemetry	1.9	0.9	-51.9%	0.1%
Meter replacement	106.3	158.6	49.2%	20.0%
ICT	87.8	45.0	-48.7%	5.7%
Other capex	168.5	171.7	1.9%	21.7%
<b>Net Capex</b>	<b>839.9</b>	<b>792.8</b>	<b>-5.6%</b>	<b>100.0%</b>
Capitalised Overheads	32.9	23.7	-27.9%	3.0%
Capcons	48.8	16.0	-67.3%	2.0%
<b>Gross Capex</b>	<b>921.6</b>	<b>832.5</b>	<b>-9.7%</b>	

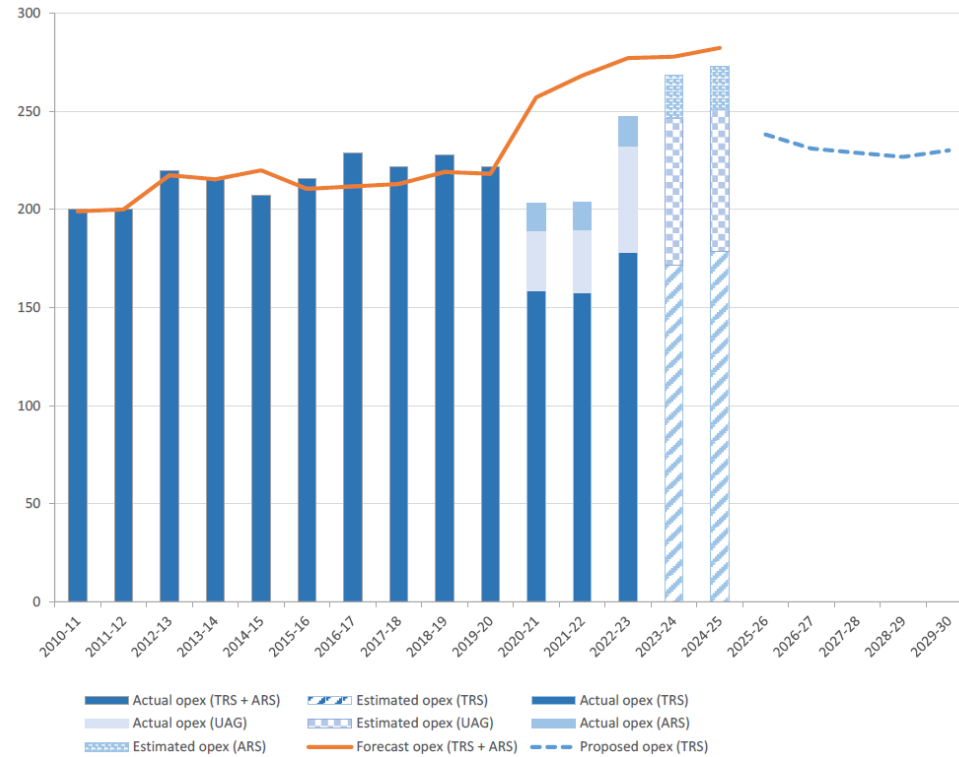
Source: JGN, JGN - Att 5.2M - Capital expenditure forecast model - June 2024, June 2024; AER analysis.

Numbers may not sum due to rounding.

<sup>a</sup> Renewable connections expenditure in the 2020-25 period is entirely an extension of renewable connection projects proposed for the 2025-30 period.

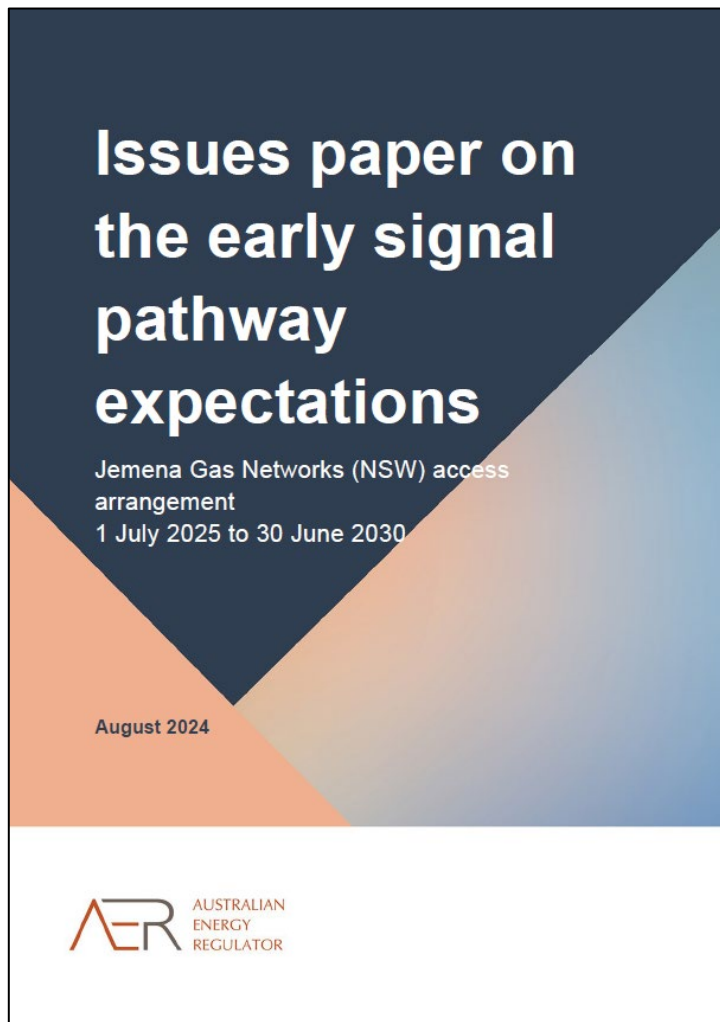
# JGN's proposed operating expenditure

Comparison of actual and forecast opex (\$million, 2024-25)



Source: JGN, *Regulatory accounts*, 2010 to 2023; JGN, *2025–30 Access arrangement proposal - Att 6.3M - Operating expenditure forecasting model – 20240628*, June 2024; JGN, *Access arrangement, PTRM (multiple periods: 2010–15, 2015–20, 2020–25)*; AER analysis.

Note: Includes debt raising costs and movements in provisions.



- JGN has prepared its access arrangement proposal at a time of significant uncertainty regarding the future of gas.
- The proposal raises a number of complex issues, which means there are aspects we consider do not meet the expectations of the Handbook and, as a result, require us to undertake a more detailed review.

Topic area	Areas for (in-depth) review
Capex	67% of forecast – categories such as renewable connections, metering, mains replacement
Opex	-SaaS adjustment to base year -Some opex steps changes (Picarro program, the pipeline integrity management program, and support for vulnerable customers) - category specific cost relating to safeguard mechanism costs
Depreciation	Accelerated depreciation



# Facilitated Q&A

Lynne Gallagher


AER Board Member



# Closing remarks

Lynne Gallagher  
AER Board Member

## Next Steps

Milestone	Date
JGN submits reference service proposal	29 June 2024
AER published an issues paper for each business	23 August 2024
AER holds a public forum	2 September 2024
 Submissions on access arrangement and Issues paper close	13 September 2024
AER publishes draft determination decision	by November 2024
Ausgrid, Endeavour Energy and Essential Energy submits revised regulatory proposals to AER	December 2023
Submissions on draft decision and revised proposal close	February 2025
AER publishes final decision	by 30 April 2025

## Submission details

- We invite interested parties to make submissions on the Issues Paper by **5pm AEST, 13 September 2024**.
- **We encourage early submissions, where possible, to inform the next phase of consultation.**
- Submissions should be emailed to [JGN2025@aer.gov.au](mailto:JGN2025@aer.gov.au)

