

14 January 2021

Christopher Stewart
Group Network Pricing & Compliance Manager
Jemena
Level 14, 99 Walker Street, North Sydney, NSW 2060

CORE
ENERGY &
RESOURCES



Dear Christopher,

I refer to the "Verification of gas quantities" terms of reference, with background and scope replicated in Attachment 1.

In summary:

- Core is satisfied that the most recent financial year actuals provided by JGN, which underpin the Gas Quantity inputs, are from 2019-20,
- Core has reviewed the source material for financial year 2019-20 (i.e. t-2), as referred to in JGN's statement to support the Gas Quantity inputs in Attachment 2,
- Core has assessed JGN's approach in allocating t-2 (2019-20) data into the 2021-22 tariff structure, and
- Core can verify the JGN statement to support the Gas Quantity inputs in Attachment 2, as provided by JGN, reflects the most recent actual 2019-20 quantities available.

Core verifies the statement of gas quantity inputs for financial year 2019-20 (i.e. t-2) prepared by JGN, as presented in Attachment 2 and derived from the spreadsheets listed therein, is in accordance with the requirements of clause 3.6(a)(iv) of JGN's 2020-25 Access Arrangement (AA).¹

The verification process involved validating the gas quantity inputs against reports specified in Attachment 2, which have been extracted from JGN's customer and billing systems, and database. Core confirms that the gas quantity data provided is derived from the most recent financial actuals from 2019-20.

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

It is our opinion that the JGN's statement of t-2 gas quantities from the 2019-20 year are appropriate for inclusion in the 2021-22 tariff variation equation.

Please contact me if you require anything further.

Regards,



Paul Taliangis

Chief Executive

Attachment 1- Verification of gas quantities terms of reference

1 Background

In accordance with our access arrangement (**AA**), Jemena Gas Networks (**JGN**) will submit to the AER an annual tariff variation notice to set the reference tariffs that will apply in respect of the provision of reference services on JGN's gas distribution network for the second year (1 July 2021 to 30 June 2022) of its current AA period (**2021 TVN**). The 2021 TVN must be submitted by 15 April 2020.

Annual tariff variations are governed by a formula specified in clause 3.2(b) of the AA. For the annual tariff variation for any financial year, that formula requires input of gas quantity information for financial year $t - 2$ (see variable q in the formula). That is, for the 2021 TVN, gas quantity information from financial year 2019-20 must be provided. Note: in the AA, "financial year" means the 12 month period ending on 30 June in any year.

Relevantly, clause 3.6(a)(iv) of the AA requires JGN to include in the 2021 TVN a statement to support the gas quantity inputs in the annual reference tariff variation mechanism. The statement must be independently audited or verified, and the quantity input must reflect the most recent actual financial year quantity available at the time of submitting the TVN. The actual quantity will be provided as four quarters of gas quantity data reconciling to an annual total gas quantity.

The access arrangement is available on our website:

<http://jemena.com.au/documents/gas/access-arrangement.aspx>

2 Scope of Work

The Consultant is required to:

- Verify the statement of gas quantity inputs for financial year 2019-20 prepared by JGN, in accordance with the requirements of clause 3.6(a)(iv) of the AA, and
- Present its verification conclusion in the form of a letter addressed to Jemena's Network Pricing & Compliance Manager.