

2 March 2017



Mr Chris Pattas  
General Manager, Network Regulation  
Australian Energy Regulator  
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Dear Mr Pattas,

### **Submission on 2018-22 Victorian gas distribution access arrangement proposals**

Jemena Gas Networks (NSW) Ltd (**JGN**) welcomes the opportunity to provide a submission on the 2018-22 Victorian gas distribution access arrangement proposals.

This submission focusses on the incentive schemes proposed by certain Victorian gas distributors. While JGN is not directly affected by the incentive mechanisms applied to Victorian gas businesses, changes to the regulatory framework adopted by the Australian Energy Regulator (**AER**) for the Victorian gas businesses may inform future discussions on establishing similar incentive schemes that could benefit gas customers in other states. Accordingly, we have a keen interest in the incentive schemes for the Victorian gas distributors.

We support gas incentive schemes to the extent that those schemes promote the National Gas Objective (**NGO**). JGN is currently subject to an efficiency benefits sharing scheme (**EBSS**) for operating expenditure which provides JGN an additional incentive to continually seek operating cost efficiencies in delivering the services that customers value. This has promoted the efficiency objectives within the NGO.

We believe that a well-designed capital expenditure sharing scheme could provide distribution businesses with stronger incentives to reduce costs where it is sustainable to do so. Such a scheme could promote the NGO by encouraging distributors to seek further efficiencies in the delivery of capital works. It is important to appropriately balance this with the level of service expected by customers, now and into the future.

We support the proposals by all three Victorian gas distribution businesses to introduce a network innovation scheme. While the scheme may be formulated as a relatively modest additional expenditure allowance, it reinforces the signal to networks that efficient and effective innovation is welcomed and encouraged within the regulatory framework administered by the AER. This is particularly important given that innovation will play a key role in enabling gas distribution businesses to respond to rapid changes in the energy sector by improving services and reducing costs.

If you have any questions in relation to this submission, please contact Ana Dijanosic on (02) 9867 7103, or at [ana.dijanosic@jemen.com.au](mailto:ana.dijanosic@jemen.com.au).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Usman', with a long horizontal stroke extending to the right.

Usman Saadat  
**General Manager Regulation**