

1 November 2018



Mr Shaun Reardon  
Executive General Manager, Customer and Markets  
Jemena Gas Networks  
PO Box 1220  
NORTH SYDNEY NSW 2060

Dear Mr Reardon,

### **Jemena Gas Network Remittal Proposal**

PIAC welcomes the opportunity to comment on Jemena Gas Network's (JGN) remittal proposal for the 2015-20 access arrangement period.

PIAC supports JGN's proposal to accept the AER's most recent positions on cost debt and market expansion capex, and retain \$9m above the AER's estimate of over-recovered revenue.

### **JGN's stakeholder engagement**

PIAC supports the approach JGN has taken to stakeholder engagement about the remitted 2015-20 access arrangement decisions. JGN has engaged with the AER, Consumer Challenge Panel, its Customer Council and consumer advocates in making its remittal proposal. This built on JGN's 2018 consumer engagement program for its 2020-25 access arrangement proposal, which PIAC considers has been positive.

However, we note the resolution of the JGN access arrangement has not been as timely as the NSW electricity distribution business remittals.

### **The proposal**

JGN proposes to:

- Accept the AER's 2015 position on cost of debt, including application of a transition to trailing average cost of debt;
- Accept the AER's most recent position on market expansion capex, allowing an additional \$21m; and
- Estimate the final 2016/17-2018/19 over-recovery at \$169m (rather than the \$178m AER estimate).

In PIAC's view, the approval of JGN's proposal is in the long-term interests of consumers. By not pursuing the positions it took in 2015, JGN will ensure their customers do not face the increase in bills associated with the full allowances originally sought.

The certainty that flows from the resolution of this process, and particularly the removal of the potential for judicial review of the AER's re-made decision by JGN, is also in consumers' interests.

On balance, PIAC considers it reasonable for JGN to recover \$9m above the AER's over-recovery estimate on the basis that:

- It appears to be a lower cost than the revenue forgone by JGN on market capex and cost of debt;
- It is consistent with 'uplifts' in the NSW electricity distribution remittal outcomes; and
- The AER has accepted this position.

**Continued engagement**

PIAC would welcome the opportunity to meet with JGN, the AER and other stakeholders to discuss these issues in more depth.

Yours sincerely,

**Tim Harrison**  
**Policy Officer, Energy and Water**  
Public Interest Advocacy Centre

Direct phone: +61 2 8898 6518  
E-mail: tharrison@piac.asn.au

**Craig Memery**  
**Policy Team Leader – Energy and Water**  
Public Interest Advocacy Centre

Direct phone: +61 2 8898 6522  
E-mail: cmemery@piac.asn.au