

# Final decision

**Jemena Gas Networks (NSW) access  
arrangement 2025 to 2030  
(1 July 2025 to 30 June 2030)**

**Attachment 9 – Reference tariff setting**

**May 2025**

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### **Amendment record**

Version	Date	Pages
1	May 2025	13

## List of attachments

This attachment forms part of our final decision on the access arrangement that will apply to Jemena Gas Networks (NSW) for the 2025–30 access arrangement period. It should be read with all other parts of this final decision.

For some issues that had draft decision attachments, and which were settled at the draft decision stage or required only minor updates, the reasons in the draft decision attachments and, where relevant, in the final decision Overview set out our reasons for our final decision on the issue. In these circumstances, we have not prepared all attachments, and our draft decision reasons form part of this final decision. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision.

The Final decision includes the following documents:

Overview

Attachment 2 – Capital base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 9 – Reference tariff setting

Attachment 10 – Reference tariff variation mechanism

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## 9 Reference tariff setting

This attachment outlines our assessment of the reference tariffs proposed by Jemena Gas Networks (JGN) (NSW) against the requirements of the National Gas Law (NGL) and National Gas Rules (NGR). Our assessment focuses on the structure of reference tariffs and takes into account the revenue and pricing principles.<sup>1</sup>

This attachment describes our assessment of JGN's proposed reference tariffs and sets out the revisions required by this final decision. Our assessment focuses on the design and structure of tariffs and the allocation of costs to services.

### 9.1 Final decision

Our final decision is to accept most of JGN's revised proposal amendments to its gas transportation tariffs. Specifically:

- flattening the volume tariff structure
- maintaining the demand tariff structure for the 2025-30 period.

However, our final decision is that:

- a 10% side constraint is too broad and that JGN amend the side constraint to 2% to align with other gas distributors. However, we consider that JGN should be allowed to use a 10% side constraint for its demand market customer tariffs, to enable it to rebalance its demand customer tariffs via the annual pricing process.<sup>2</sup>

On JGN's ancillary reference service tariffs, our final decision is to accept JGN's revised proposal individual price caps, with the exception of its proposed cost for the volume customer abolishment service.<sup>3</sup>

Our final decision is to reduce the level of JGN's revised proposal volume customer abolishment cost of \$1,472, down to \$1,200.60, and to socialise most of that cost, giving a small customer abolishment tariff of \$250. This reflects the NSW safety regulator's preference to reduce the price gap between temporary and permanent disconnection services.

We accept JGN's revised proposal to charge the full abolishment cost for a Standard Residential Connection where there are current or anticipated redevelopment, renovation or other construction works.

All other abolishments, such as at multi-tenancy sites, will be individually priced.

We accept JGN's proposal to delay the implementation of the proposed changes to the abolishment service until 1 July 2026. The one-year delay is due to the complexity of the

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<sup>1</sup> NGL, ss. 24(2)–(7).

<sup>2</sup> The side constraint limits the rebalancing of revenue recovery between tariff classes to a defined % above the allowed annual revenue path

<sup>3</sup> NGL, ss. 24(2)–(7).

suite of system and process changes required and the limited time available for them to be implemented by 1 July 2025.

Our reasons for our final decision are set out below.

## 9.2 JGN's revised proposal

### 9.2.1 Gas transportation tariffs

On its side constraint, JGN's revised proposal maintained that the existing side constraint of 10% is required to enable rebalancing more revenue recovery towards their demand (large) customers.<sup>4</sup> This approach is consistent with the feedback JGN received from their customers during their engagement sessions on pricing and tariffs.<sup>5</sup> By doing so, JGN would alleviate volume (small) customers of some cost recovery burden.

JGN would have the scope to incrementally (over the 2025–30 period) increase revenue recovery from demand customers to approximately 12 per cent of total revenue by retaining the current 10 per cent side constraint. This would decrease to around 9 per cent of total revenue if the side constraint was changed to 2 per cent.

On the structure of its gas transportation tariffs, JGN's revised proposal set out estimated bill impacts of incrementally transitioning volume customers to its proposed flat tariff structure over the 2025–30 period. JGN submitted that households consuming around 20 GJ per annum would save around \$12 per annum while customers consuming 35 GJ and 100 GJ per annum would incur additional costs of around \$2.50 and \$120 per annum, respectively.<sup>6</sup> This proposed change would encourage higher usage customers to reduce gas consumption to avoid paying the higher tariffs in the next tariff block.<sup>7</sup>

JGN has not proposed to amend the declining block tariff structure for its demand (large) customers. JGN indicated it will engage demand customers on tariff reform during the 2025–30 period in preparation for implementation in the following access arrangement period.<sup>8</sup>

The revised proposal tariffs are a continuation of the tariffs in the initial proposal.

### 9.2.2 Ancillary reference services

JGN's revised proposal did not accept our draft decision which reduced the proposed abolishment cost from \$1,472 to \$1,104.<sup>9</sup> JGN maintained that its proposed abolishment tariff of \$1,472 is efficient and reflects the different jurisdictional arrangement in NSW compared to Victoria.<sup>10</sup>

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<sup>4</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 8.1 Pricing*, January 2025, p. 8.

<sup>5</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 8.1 Pricing*, January 2025, p. 8.

<sup>6</sup> In nominal terms by the end of the period.

<sup>7</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 8.1 Pricing*, January 2025, p. 4.

<sup>8</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 8.1 Pricing*, January 2025, p. 7.

<sup>9</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 7.1 Abolishments*, January 2025, p. iii.

<sup>10</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 7.1 Abolishments*, January 2025, pp. 7–8.

In NSW, JGN must temporarily remediate the site of abolishment works, such as restoring any damage to footpaths and roads. It is then obliged to fund permanent restoration works by local government councils. JGN submitted that this results in additional costs to JGN compared to Victoria, where distributors permanently repair the abolishment site. Additional to the extra costs this involves, JGN also submitted that this results in greater efficiencies in Victoria from not having to deal with councils re temporary/permanent rectification of the site.<sup>11</sup>

JGN's revised proposal accepted the small customer abolishment tariff of \$250 and the socialisation of the remainder of the cost of the small customer abolishment service. JGN further proposed three types of abolishment services:<sup>12</sup>

- \$250 per meter for a Standard Residential Connection<sup>13</sup> where there are no current or anticipated redevelopment, renovation or other construction works. This new charge will be partially socialised for the shortfall between \$1,472 and \$250 per abolishment.
- \$1,472 per meter for a Standard Residential Connection where there are current or anticipated redevelopment, renovation or other construction works.
- Individually priced services for all other abolishments.

JGN submitted that around two thirds of current abolishments are for anticipated redevelopment, renovation or other construction works.<sup>14</sup>

JGN submitted that it cannot implement the changes to the pricing of the abolishment service in 2025 and instead proposed a 1 year delay in the implementation of these changes to apply from 1 July 2026.<sup>15</sup> JGN submitted that before it can begin any changes to its digital systems, it is first necessary to develop a robust set of business rules to appropriately manage the “moral hazard” raised in the draft decision<sup>16</sup> — that customers will be incentivised to claim they will not re-connect.<sup>17</sup>

The proposed rationale for the delay is the suite of system and process changes needed will require technical updates by JGN and retailers across multiple platforms.<sup>18</sup> The delay applies to both the different tariffs for the abolishment service in different contexts and partial socialisation of the abolishment charge.

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<sup>11</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 7.1 Abolishments*, January 2025, pp. 7–8.

<sup>12</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 7.1 Abolishments*, January 2025, p. iv.

<sup>13</sup> Abolishment with a standard residential meter below 25m<sup>3</sup>/hr.

<sup>14</sup> JGN, Response to AER Information Request #017, 4 October 2024, p. 5.

<sup>15</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 7.1 Abolishments*, January 2025, p. 11.

<sup>16</sup> AER, *Draft Decision - JGN access arrangement 2025–30 – Attachment 9 – Reference tariff setting*, November 2024, p. 9.

<sup>17</sup> Email from JGN to AER, “RE: JGN revised proposal - pricing issues”, 11 March 2025.

<sup>18</sup> JGN, *Revised 2025–30 Access Arrangement Proposal, Attachment 7.1 Abolishments*, January 2025, p. 11.

## 9.3 Assessment approach

The assessment approach is unchanged from the draft decision.<sup>19</sup>

## 9.4 Reasons for our final decision

### 9.4.1 Tariff setting and pricing strategy objectives

We consider that a 10% side constraint is too broad and that JGN should amend the side constraint to 2% to align with other gas distributors. However, we consider that JGN should be able to use a 10% side constraint for its demand market customers tariffs, consistent with our draft decision approval for it to rebalance cost recovery from volume customers to demand customers.

For 2024–25 JGN expects to earn 8% of its regulated revenue from demand customer tariffs. The AER accepts that this is insufficient and should be increased over time via reducing the percentage coming from volume customers. The use of a 10% side constraint for demand customers will allow JGN to increase the regulated revenues of demand customers up to around 10% by the end of the period.

We consider that JGN's proposed incremental flattening of its volume tariff structure, over the 2025–30 period, and the expected bill impacts for volume customers demonstrated by JGN, are acceptable. While volume customers consuming larger volumes of gas will incur negative bill impacts, they are relatively modest. We also note that they are offset by modest beneficial bill impacts for smaller consuming customers. On balance, we consider flat network tariffs send better price signals to customers about increasing their gas consumption than declining block tariffs. In reaching this decision we have given weight to the emissions reduction aspect of the updated National Gas Objective.

We also consider that maintaining the demand tariff structure for the 2025–30 period is also prudent and gives JGN a grace period to engage with demand customers and stakeholders around flattening the declining block tariff structure for the 2030–35 period.

We indicated our approval of JGN's prudent discounts in the draft decision.<sup>20</sup>

### 9.4.2 Abolishment

We accept setting different tariffs for the small customer abolishment service for different contexts:

- \$250 per meter for a Standard Residential Connection<sup>21</sup> where there are no current or anticipated redevelopment, renovation or other construction works.
- \$1,200.60 per meter for a Standard Residential Connection where there are current or anticipated redevelopment, renovation or other construction works.

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<sup>19</sup> AER, *Draft Decision - JGN access arrangement 2025–30 – Attachment 9 – Reference tariff setting*, November 2024, pp. 4-6.

<sup>20</sup> AER, *Draft Decision - JGN access arrangement 2025–30 – Attachment 9 – Reference tariff setting*, November 2024, pp. 10-11.

<sup>21</sup> Abolishment with a standard residential meter below 25m<sup>3</sup>/hr.



- Individually priced services for all other abolishments.

In relation to the cost reflective tariff, we do not accept JGN's proposed tariff of \$1,472. However, we acknowledge JGN's proposition that there is a difference in jurisdictional arrangements around the process of undertaking abolishments between NSW and Victoria. We understand that in NSW it is local government councils that undertake permanent site rehabilitation, financed by JGN, after an abolishment has been undertaken by JGN. We accept that this imposes additional costs on JGN. However, we do not accept the level of cost uplift proposed by JGN. Our analysis of this jurisdictional difference between NSW and Victoria is that the application of a 15% premium to JGN's cost reflective abolishment tariff is adequate in order to account for this difference.

Table 9.1 outlines our benchmarking adjustment to account for the difference in abolishment arrangements between NSW and Victoria.

**Table 9.1 Final Decision Abolishment cost 2025-26**

Service type	Top end of Victorian Benchmark	Additional amount to account for NSW jurisdictional arrangements	JGN Final Decision Cost
Cost reflective Abolishment cost benchmark	\$1,044	15%	\$1,200.60

Source: AER analysis

Stakeholder submissions which commented on abolishment costs were supportive of reducing the level of the cost reflective tariff but offered mixed views on socialising part of the cost across gas transportation tariffs<sup>22</sup>.

For example, the Justice and Equity Centre does not support the partial socialisation of abolishment costs because it considers it is inequitable. Submissions from ECA and the Consumer Challenge Panel support the partial socialisation of the small customer abolishment costs.

Our final decision is consistent with our rationale outlined in the draft decision and is premised on the safety concern that a relatively high abolishment tariff disincentivises customers from requesting the abolishment service. This would leave an unacceptably large number of unused gas connections remaining in situ for indefinite periods and also involve continuing costs of maintaining an unused service.

For individually priced abolishments, this will apply to all other abolishments including apartment complexes and for non-residential customers (inclusive of demand customers). In

<sup>22</sup> The Justice and Equity Centre, *Submission on JGN's 2025–30 revised proposal and draft decision*, February 2025; ECA, *Submission and attachment on JGN's 2025–30 revised proposal and draft decision*, February 2025; Consumer Challenge Panel (CCP31), *Advice to the AER - JGN 2025-30 revised access arrangement and draft decision*, February 2025; City of Sydney *Submission, JGN's 2025–30 revised proposal and draft decision*, February 2025.

apartment complexes that have multiple meters, the individual pricing classification will allow for lower customer bills, where the abolishment process is not complex.<sup>23</sup>

In regard to the proposed 1 year delay in the implementation of the updated abolishment tariff arrangements described in this attachment, to 1 July 2026, we accept the proposed delay. The exception is implementation of our final decision on the cost reflective abolishment tariff of \$1,200.60, which will take effect from 1 July 2025 – this change does not require system or process changes. In respect of the broader reforms to abolishment tariffs, while also initiating these changes on 1 July 2025 would be preferable, we accept that JGN will need to undertake system and process changes, and coordinate related changes by gas retailers, that will take time.

In particular, we accept that new arrangements will be needed to manage the risk of customers withholding their intention to re-connect to JGN's network in the context of a subsidised (partially socialised) tariff for customers permanently disconnecting. Allowing a 1 year delay provides the necessary time for all of the parties involved to ensure that this moral hazard issue can be resolved before the changes take effect.

The tariff impact of delayed implementation of the abolishment tariff changes is that the partially socialised abolishment charge of \$250 for 2025–26 will be updated by actual CPI in the 2026–27 annual pricing process to calculate the partially socialised tariff for the first year of implementation in 2026–27.

Table 9.2 sets out our final decision for the small customer abolishment service. The abolishment cost is to be partially socialised via setting a \$250 abolishment tariff which is to be escalated for inflation in 2026–27. The balance of abolishment service costs (socialised amount = cost reflective abolishment tariff – partially socialised tariff) is to be recovered via gas transportation tariffs. For example, if the changes were implemented in year 1, the partially subsidised amount would have been \$1,200.60 less \$250 = \$950.60.

**Table 9.2 Small customer abolishment tariff - AER Final Decision for 2026–27**

Service type	Charge (\$2025–26)
Abolishment tariff	\$250 (to be escalated by actual CPI) <sup>24</sup>

Source: AER Analysis.

### 9.4.3 Other Ancillary reference services

We are satisfied that JGN's proposed charges for its remaining ancillary reference services (that is, with the exception of the small customer abolishment charge) are reasonable. The approved prices are set out in Table 9.3.

<sup>23</sup> This is consistent with the City of Sydney Submission which called for this approach in relation to the treatment of apartment complexes.

<sup>24</sup> Note this is ex-GST and retailers may, when passing this cost through to customers, add their own mark-up to reflect their administrative costs.

**Table 9.3 JGN's approved ancillary reference services prices**

Ancillary reference service (individual price caps)	2025–26
Hourly charge	\$206
Disconnections – Volume Customer Delivery Points	Completed activity charge: \$84 Wasted Visit: \$46
Reconnections – Volume Customer Delivery Points	Completed activity charge: \$118 Wasted Visit: \$118
Disconnection and Reconnection – Demand Customer Delivery Points	Completed activity charge: individually priced
Expedited reconnection	Completed activity charge: \$196 Wasted visit charge: \$196
Abolishment	Completed activity charge from 2026-27: <ul style="list-style-type: none"> <li>Below 25m3/hr: \$250 to be escalated by actual CPI</li> <li>Below 25m3/hr with renovations, knock down rebuilds or construction works: \$1,200.60 to be escalated by actual CPI</li> <li>Above 25m3/hr: individually priced</li> </ul>
Special meter read	Completed activity charge: \$17 Wasted visit charge: \$17

Source: AER analysis.

## 9.5 Revisions

We have proposed the following revisions to the access arrangement as set out in Table 9.4.

**Table 9.4 Reference tariff setting revisions**

Revisions	Column heading
Revision 9.1	Amend the ancillary reference abolishment tariff below 25m3/hr to \$1,200.60 in the 2025–26 year. <sup>25</sup>
Revision 9.2	Amend the ancillary reference abolishment tariff below 25m3/hr with renovations, knock down rebuilds or construction works to \$1,200.60 escalated by CPI for 2026–27 year. <sup>26</sup> Amend abolishment tariff below 25m3/hr to the partially socialised amount of \$250 escalated by CPI in the 2026-27 annual pricing process.

Source: AER's analysis

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<sup>25</sup> As an ancillary reference tariff it will be escalated annually by the ancillary reference tariff variation mechanism which is addressed in Overview of this final decision.

<sup>26</sup> As an ancillary reference tariff it will be escalated annually by the ancillary reference tariff variation mechanism which is addressed in Overview of this final decision.

# Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Ancillary RS	Ancillary Reference Service
CCP31	Consumer Challenge Panel, sub-panel 31
JGN	Jemena Gas Networks
NGL	National Gas Law
NEM	National Electricity Market
NSW	New South Wales
NGO	National Gas Objective
NGR	National Gas Rules
Transportation RS	Transportation Reference Service