# Jemena Gas Networks (NSW) Ltd

## Tariff Variation Notice

2026-27 reference tariffs

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# Abbreviations

| | |
|---|---|
| 2025-30 AA | JGN access arrangement – 1 July 2025 to 30 June 2030 |
| ABS | Australian Bureau of Statistics |
| AER | Australian Energy Regulator |
| AER Final Decision | AER Final Decision - JGN access arrangement 2025 |
| $A_t$ | Automatic Adjustment Factor |
| CPI | Consumer Price Index |
| $C_t$ | Carbon Cost Factor |
| DC | Demand Capacity |
| DCFR | Demand Capacity – First Response |
| DMT | Demand Major End Customer Throughput |
| DMTFR | Demand Major End Customer Throughput – First Response |
| DT | Demand Throughput |
| JGN | Jemena Gas Networks (NSW) Ltd |
| $L_t$ | Licence Fee Factor |
| PTt | Pass Through Factor |
| Rt | Revenue True-Up Factor |
| St | Socialised Abolishment True-Up Factor |
| $T_t$ | Relevant Tax Factor |
| TVN | Tariff Variation Notice |
| UAG | Unaccounted for Gas |
| VB | Volume Boundary |
| VI | Volume Individual |
| VRT | Volume Residential Distributed Generation Technology |

# 1. Introduction

## 1.1 Overview

On 14 May 2025, the Australian Energy Regulator (**AER**) made its final decision on Jemena Gas Networks (NSW) Ltd (**JGN**) access arrangement (**2025-30 AA**) applying for the period from 1 July 2025 to 30 June 2030.[1] The 2025-30 AA describes the reference services that JGN offers, sets out the initial reference tariffs that apply to those services from 1 July 2025 (in Schedule 3 of 2025-30 AA) and includes an annual tariff mechanism, effective 1 July each year of the 2025-30 AA period.

The 2025-30 AA requires that JGN submit its proposed reference tariffs to the AER for approval on or before 15 March each year. Unless it extends the time in accordance with the 2025-30 AA, the AER then has 30 business days to assess whether JGN's proposed reference tariffs are compliant with the relevant reference tariff variation mechanism.[2]

This Tariff Variation Notice (**TVN**):

- provides JGN's proposed reference tariffs for the 2026-27 financial year (effective from 1 July 2026)
- demonstrates how these proposed 2026-27 reference tariffs comply with the tariff variation mechanism in section 3.2 and 3.3 of the 2025-30 AA, including the side constraint
- sets out the calculation of the 2026-27 automatic adjustment factor in accordance with Schedule 4 of the 2025-30 AA and applies this factor in calculating the proposed 2026-27 reference tariffs, including unaccounted for gas (**UAG**) and other cost recovery true-ups for 2023-24 and 2024-25
- contains no determined pass-through amounts or automatic adjustments for relevant tax costs.

Attachment 5 of this TVN sets out details of the information provided in the TVN (including attachments) in relation to which JGN makes a claim of confidentiality, together with other necessary details and the reasons in support of the claim. Public and confidential versions of relevant documents have been provided.

## 1.2 Submission structure and 2025-30 AA compliance

JGN has structured this submission to demonstrate compliance with each relevant part of sections 3 and 4 of the 2025-30 AA:

- section 2 – tariffs (section 4 of the 2025-30 AA)
- section 3 – variation notice compliance (section 3.7 of the 2025-30 AA)
- section 4 – annual tariff variation mechanism (section 3.2 and 3.3 of the 2025-30 AA).

### 1.2.1 Reference tariff model

JGN's reference tariff model (**Attachment 1**) provides mathematical proof that JGN's proposed 2026-27 reference tariffs comply with relevant aspects of the 2025-30 AA.

The model demonstrates that for 2026-27, JGN has updated its reference tariffs using:

- CPI of 3.76%
- an X factor of -0.99%, which incorporates an updated cost of debt value
- verified gas quantity inputs for financial year t-2 (2024-25)

[1] AER, Final decision - JGN access arrangement 2025-30, May 2025.

[2] JGN 2025-30 AA, section 3.8.

- the automatic adjustment factor, which reflects UAG and other cost recovery true-ups for financial years t-2 (2024-25) and t-3 (2023-24).[3]

## 1.3 Submission values and terminology

This submission employs the following standards:

- unless otherwise indicated, all prices are expressed in $2026-27
- for relevant sections and formulae in the 2025-30 AA as applicable to this TVN:
  - *financial year t* is the 2026-27 financial year ending on 30 June 2027
  - *financial year t-1* is the 2025-26 financial year ending on 30 June 2026
  - *financial year t-2* is the 2024-25 financial year ending on 30 June 2025
  - *financial year t-3* is the 2023-24 financial year ending on 30 June 2024
- a reference to the AA, or a section or Schedule in the AA is a reference to the 2025-30 AA or a section or Schedule within the 2025-30 AA.

[3] Consistent with Schedule 4 of JGN's AA.

# 2. Tariffs

This section outlines JGN's tariffs for 2026-27.

## 2.1 JGN's transportation reference service tariffs

JGN's tariffs for its transportation reference service are set out below. These tariffs are unchanged from 2025-26. Refer to **Attachment 3** for further details.

**Table 2–1: JGN's transportation reference service tariffs**

| Customer Type | Tariff |
|---|---|
| Volume Individual (VI) | VI – Small<br>VI – Large |
| Volume Boundary (VB) | VB |
| Volume Residential Distributed Generation Technology (VRT) | VRT-03<br>VRT-04<br>VRT-06<br>VRT-10 |
| Demand Capacity (DC) | DC-1 to DC-11<br>DC-Country |
| Demand Throughput (DT) | DT |
| Demand Capacity – First Response (DCFR) | DCFR-1 and DCFR-6 |
| Demand Major End Customer Throughput (DMT) | DMT-01 to DMT-05 |
| Demand Major End Customer Throughput – First Response (DMTFR) | DMTFR-3 |

## 2.2 JGN's ancillary reference service tariffs

JGN's tariffs for its ancillary reference service are set out below. These tariffs are unchanged from 2025-26. Refer to **Attachment 3** for further details.

**Table 2–2: JGN's ancillary reference service tariffs**

| Tariff |
|---|
| Hourly Charge – non-standard User-initiated requests and queries |
| Disconnection – Volume Customer Delivery Points |
| Disconnection – Volume Customer Delivery Points - Wasted visit |
| Reconnection – Volume Customer Delivery Points |
| Reconnection – Volume Customer Delivery Points - Wasted visit |
| Disconnection & reconnection – Demand Customer Delivery Points |
| Abolishment where there are no current or anticipated redevelopment, renovation or other construction works. |
| Abolishments where the above charge is not applicable |

| Tariff |
| --- |
| All other abolishments |
| Special Meter Reads |
| Special Meter Reads - Wasted visit |
| Expedited reconnection |
| Expedited reconnection - Wasted visit |

# 3. Variation notice compliance

This section outlines key details of how JGN will vary its 2026-27 reference tariffs in accordance with section 3.7 of the 2025-30 AA.

## 3.1 Proposed revised reference tariff schedule

**Attachment 4** provides JGN's proposed reference tariff schedule for 1 July 2026 to 30 June 2027.[4]

## 3.2 Effective date of variation

The effective date of variation for JGN's 2026-27 reference tariffs is 1 July 2026.[5]

## 3.3 Compliance with the annual tariff variation mechanism

JGN's compliance with the variation mechanism set out in sections 3.2 and 3.3 of the 2025-30 AA is described in section 4 and evidenced in JGN's reference tariff model in **Attachment 1**.[6]

## 3.4 Gas quantity inputs

JGN's statement to support the gas quantity inputs used in the reference tariff variation mechanism is set out in **Attachment 2**. The quantity input reflects the most recent actual financial year quantities available at the time of submission of this notice and four quarters of gas quantity data reconciles to the annual total gas quantity. [7] This statement has been independently verified by Core Energy (see **Attachment 3**).

JGN's tariff variation mechanism relies upon actual transportation reference tariff quantity inputs from two years before the financial year in which the proposed tariffs will apply. For the 2026-27 variation notice, JGN must use the actual quantities that correspond to financial year t-2 (i.e. 2024-25), which is the most recent financial year actual quantity inputs available at this time.

## 3.5 Determined pass-through amount

JGN does not propose to pass through any pass-through amounts for the year (as defined in the 2025-30 AA and for the purposes of 3.7(a)(v) and 3.7(a)(vi) of the AA). That is, for this 2026-27 TVN, the cost pass-through factor ($\mathbf{PT_t}$) value in the tariff basket price control formula of section 3.2(b) of the AA is zero.

4 As required under section 3.7(a)(i) of the AA.

5 As required under section 3.7(a)(ii) of the AA.

6 As required under section 3.7(a)(iii) of the AA.

7 As required under section 3.7(a)(iv) of the AA.

# 4. Annual tariff variation mechanisms

This section explains how JGN has varied its tariffs in accordance with section 3.2 and 3.3 of the 2025-30 AA and sets out its proposed 2026-27 reference tariffs.

## 4.1 Variation mechanisms

JGN's annual tariff variation mechanism consists of two parts:

- Transportation Reference Tariff, subject to a tariff basket price control formula (section 3.2 of the AA)
- Ancillary Reference Tariff, subject to individual tariff control formula (section 3.3 of the AA)

The Annual Transportation Reference Tariff variation mechanism as set out in section 3.2(b) of the AA includes two formulae:

- tariff basket price control formula and
- side constraint.

JGN's reference tariff model, provided in **Attachment 1**, provides the mathematical proof that JGN's proposed 2026-27 reference tariffs comply with the above elements.

## 4.2 Tariff basket price control formula

The tariff basket price control formula is:

$$(1+CPI_t)(1-X_t)(1+A_t)(1+PT_t) \geq \frac{\sum_{x=1}^{n}\sum_{y=1}^{m} p_t^{xy} q_{t-2}^{xy}}{\sum_{x=1}^{n}\sum_{y=1}^{m} p_{t-1}^{xy} q_{t-2}^{xy}}$$

The tariff basket price control formula ensures the expected change in JGN's prices (right-hand side of the formula) are constrained by movements in:

- CPI ($CPI_t$)
- the allowed X factor ($X_t$)
- the automatic adjustment factor that reflects cost true-ups from certain cost categories ($A_t$)
- costs arising with approved cost pass-through events ($PT_t$)

The right-hand side of the formula uses verified gas quantity inputs for financial year t-2 (2024-25) to calculate notional revenue. These quantities have been externally verified by Core Energy (see **Attachment 3**). Each element of the left-hand side of the formula is discussed in the following sections.

### 4.2.1 CPI adjustment

This section shows how JGN has calculated the annual CPI adjustment. JGN has calculated $CPI_t$ in 2026-27 of 3.76% in accordance with section 3.2(b) of the 2025-30 AA based on the December to December quarter movement between 2024 and 2025 as published by the Australian Bureau of Statistics (**ABS**). This is set out in the 'Input I General' worksheet of **Attachment 1**. The value of $(1+CPI_t)$ is 1.0376.

### 4.2.2 X factor adjustment

The X factor for 2026-27 updated for the latest return on debt observation based on the updated PTRM provided by the AER is -0.99 per cent. It reflects the real change in prices and is used in **Attachment 1** in accordance with the tariff basket price control formula in section 3.2(b) of the AA. The value of $(1-X_t)$ is 1.010.

### 4.2.3 Automatic adjustment factor

The automatic adjustment factor ($\mathbf{A_t}$) provides for administrative true-ups for costs incurred in areas outside of JGN's control. JGN has calculated the 2026-27 automatic adjustment factor in accordance with the following formula in schedule 4 of the 2025-30 AA:

$$A_t = \frac{(1 + A'_t)}{(1 + A'_{t-1})} - 1$$

$A_t$ is calculated as:

$A'_{t-1}$ is the value of $A'_t$ in Financial Year *t-1* (2025-26), which is 0%.

$$A'_t = \frac{(U_{t-2} + C_{t-2} + T_{t-2} + R_{t-2} + S_{t-2})[(1 + realWACC_{t-1})(1 + realWACC_t)(1 + CPI_{t-1})]}{(1 - X_t)\sum_{x=1}^{n}\sum_{y=1}^{m} p_{t-1}^{xy} q_{t-2}^{xy}}$$

As shown in the above formulas, the automatic adjustment factor ($A_t$) relies on the values for $U_{t-2}$, $C_{t-2}$, $T_{t-2}$, $R_{t-2}$ and $S_{t-2}$.

Table 4–1 summarises these values with an outline of the calculations provided in the following sections (and also set out in **Attachment 1**).

**Table 4–1: Automatic adjustment factor**

| Automatic adjustment variable | Value ($2024-25) |
|---|---|
| UAG factor ($U_{t-2}$) | $49,457,871 – see section 4.2.3.1 |
| Carbon Cost factor ($C_{t-2}$) | $28,807 – see section 4.2.3.2 |
| Relevant Tax factor ($T_{t-2}$) | $0 |
| Revenue True-Up factor ($R_{t-2}$) | $0 |
| Socialised Abolishment True-Up factor ($S_{t-2}$) | $0 |
| **Total adjustments** | **$49,486,678** |

In accordance with the automatic adjustment formula in schedule 4 of the 2025-30 AA, JGN has adjusted for the time value of money to account for the period that elapses from when the costs were incurred and when these will be recovered from/returned to customers. For this calculation, JGN has used:

- the real vanilla WACC of:
  - 3.25% for financial year *t-1* (2025-26)
  - 3.29% for financial year *t* (2026-27), which has been updated to incorporate the cost of debt update.
- $CPI_{t-1}$ (2025-26) of 2.42%
- X factor as set out in section 4.2.2
- the notional revenue for t-1 ($\sum p_{t-1} * q_{t-2}$).

JGN has applied the automatic adjustment to the reference tariffs consistent with the tariff basket price control formula in section 3.2(b) of the AA.

Using the above values JGN has calculated a value for:

- $A'_t$ of 8.8%
- $A_t$ of 8.8%.

The next subsections explain the calculations for the UAG factor, carbon factor, relevant tax factor, revenue true-Up factor, and the socialised abolishment true-up factor.

#### 4.2.3.1 UAG factor

JGN has calculated its UAG adjustment in accordance with Schedule 4 of the 2025-30 AA. No adjustment for UAG was made in the first year of JGN's 2025-30 AA. Therefore, the second year adjustment includes a true-up for two years. The adjustment for 2023-24 and 2024-25 is calculated as the difference between the benchmark UAG costs and the forecast allowance as per the 2025-30 AA. These calculations are outlined in Table 4–2 and Table 4–3 below.

##### Benchmark UAG cost

Section 2.2 of schedule 4 of the 2025-30 AA provides that JGN's benchmark UAG cost is calculated as:

- the product of
  - gas receipts in gigajoules for each financial year, and
  - the UAG costs[8] for each financial year in $/gigajoule, and
  - UAG target rate gas receipts of 5.593% for the volume market and 0.665% for the demand market in 2023-24 and 2024-25.

Table 4–2 provides JGN's calculation of the benchmark UAG cost.

[8] 'UAG costs' are defined in the 2025-30 AA as "the cost incurred by the Service Provider to procure Replacement Gas to make up for unaccounted for gas (UAG) in the Network during a Financial Year, including costs for transportation and other direct costs reasonably incurred by the Service Provider in connection with that UAG".

The average gas price for a particular financial year is the weighted (by gas purchased) average of the successful tender prices during the financial year.

**Table 4–2: Calculating the UAG recoverable cost**

| | Volume market gas receipts (GJ) | Demand market gas receipts (GJ) | UAG cost ($/GJ, nominal) | Target rate[9] (Volume) | Target rate (Demand) | Benchmark cost[10] ($, nominal) |
|---|---|---|---|---|---|---|
| 2023-24 | [redacted] | | | 5.593% | 0.665% | $63,064,221 |
| 2024-25 | | | | 5.593% | 0.665% | **$51,041,688** |

### Calculating the UAG factor

Table 4–3 provides JGN's calculation of $U_{t-2}$.

**Table 4–3: Calculating the UAG Factor amount ($, nominal)**

| | UAG Allowance | Benchmark UAG | Difference |
|---|---|---|---|
| $U_{2024}$ | $32,571,925 | $63,064,221 | $30,492,296 |
| $U_{2025}$ | $34,017,686 | $51,041,688 | $17,024,002 |

In 2026-27, the UAG factor amount from financial years t-2 and t-3 is $49,457,871 ($2024-25).

### 4.2.3.2 Carbon cost factor

JGN's forecast allowance for carbon cost recovery is zero for the 2020-25 regulatory period. JGN's actual costs incurred as a result of the operation of a Carbon Scheme[11] totalled $27,083 in 2023-24 [redacted] No costs were incurred in 2024-25. JGN's carbon cost factor ($\mathbf{C_t}$) amount is calculated in the 'Calc|General' worksheet of Attachment 1.

### 4.2.3.3 Relevant tax factor

The relevant tax factor ($\mathbf{T_t}$) seeks to capture any new and unforeseen tax liability that JGN becomes subject to. The 2025-30 AA defines a Relevant Tax (see Schedule 1 of the 2025-30 AA). No adjustment in this respect has been applied in this TVN.

### 4.2.3.4 Revenue True-Up factor

The Revenue True-up factor ($\mathbf{R_t}$) is 0 when t-2 is 2024-25, per JGN's 2025-30 AA.

### 4.2.3.5 Socialised Abolishment True-Up factor

The Socialised Abolishment True-Up factor ($\mathbf{S_t}$) is 0 when t-2 is 2024-25, per JGN's 2025-30 AA.

## 4.2.4 Determined pass-through amount

The cost pass-through factor ($\mathbf{PT_t}$) value in the tariff basket price control formula of section 3.2(b) of the AA is zero.

9 Target rates are a defined term in JGN's 2025-30 AA.

10 Product of gas receipts target rate and UAG cost.

11 As defined in Schedule 1 of JGN's 2025-30 AA, including safeguard mechanism costs.

## 4.3 Annual Ancillary Reference tariff variation mechanism

JGN may propose to vary Ancillary Reference Tariffs consistent with the following tariff control formula for the Regulatory Year 2026-27 to Year 2029-30:

$$ART_t^i \leq ART_{t-1}^i \times (1 + CPI_t) + PT_t^i$$

where:

$ART_t^i$ is the Ancillary Reference Tariff for Ancillary Reference Service *i* that applies in Regulatory Year *t*.

$ART_{t-1}^i$ is the Ancillary Reference Tariff for Ancillary Reference Service that applies in Regulatory Year *t-1*.

$CPI_t$ means for a Financial Year:

(i) the CPI for the December Quarter immediately preceding the start of the relevant Financial Year; divided by

divided by

(ii) the CPI for the December Quarter immediately preceding the December Quarter referred to in paragraph (i);

minus one,

provided that if the Australian Bureau of Statistics does not, or ceases to, calculate and publish the CPI, then in this Access Arrangement CPI will mean an inflation index or measure agreed between the AER and the Service Provider;

$PT_t^i$ is any approved cost pass through amount as determined by the AER for the relevant Financial Year *t* and Ancillary Reference Service *i*.

For 2026-27, we propose to adjust prices accordingly with $CPI_t$ as defined in section 4.2.1 and $P_t^j$ as defined in section 4.2.4 above. The calculations are provided in **Attachment 1**.

## 4.4 Proposed 2026-27 reference tariffs

JGN's proposed 2026-27 reference tariffs are set out in its reference tariff schedule in **Attachment 4**.

JGN continues to provide the following pre-existing prudent discounts consistent with the AER's final decision:

[redacted]