



**FINAL DECISION**  
**Jemena Gas Networks (NSW)**  
**Ltd**  
**Access Arrangement 2015-20**

**Attachment 1 – Services**  
**covered by the access**  
**arrangement**

June 2015

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## Note

This attachment forms part of the AER's final decision on Jemena Gas Networks' 2015–20 access arrangement. It should be read with other parts of the final decision.

The final decision includes the following documents:

Overview

Attachment 1 – services covered by the access arrangement

Attachment 2 – capital base

Attachment 3 – rate of return

Attachment 4 – value of imputation credits

Attachment 5 – regulatory depreciation

Attachment 6 – capital expenditure

Attachment 7 – operating expenditure

Attachment 8 – corporate income tax

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Attachment 10 – reference tariff setting

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## Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
capex	capital expenditure
CAPM	capital asset pricing model
CCP	Consumer Challenge Panel
Code	National Third Party Access Code for Natural Gas Pipeline Systems
CPI	consumer price index
DRP	debt risk premium
ERP	equity risk premium
JGN	Jemena Gas Networks (NSW) Ltd (ACN 003 004 322)
MRP	market risk premium
NGL	national gas law
NGO	national gas objective
NGR	national gas rules
opex	operating expenditure
PPI	partial performance indicators
PTRM	post-tax revenue model
RAB	regulatory asset base
RBA	Reserve Bank of Australia
RFM	roll forward model
RIN	regulatory information notice
RPP	revenue and pricing principles
SLCAPM	Sharpe-Lintner capital asset pricing model
WACC	weighted average cost of capital

# 1 Services covered by the access arrangement

The National Gas Rules requires an access arrangement to identify:

- the pipeline which the access arrangement relates to and
- the services which JGN proposes to offer to provide by means of that pipeline.<sup>1</sup>

## 1.1 Final decision

We approve JGN's revised proposal on the services covered by this access arrangement.

## 1.2 JGN's revised proposal

JGN's revised proposal accepted our draft decision on the services covered by its access arrangement.<sup>2</sup>

## 1.3 AER's assessment approach

Our approach to assessing JGN's proposal was described in detail in our draft decision. We maintained this approach for the final decision.<sup>3</sup>

## 1.4 Reasons for final decision

For the reasons set out in our draft decision, which JGN has accepted without further change, we accept JGN's revised proposal on the services covered by this access arrangement.<sup>4</sup>

AGL's submission did not support the draft decision to approve JGN's combining meter data services into haulage reference services.<sup>5</sup> For the reasons set out below, we do not consider this submission impacts on our reasoning in our draft decision.

### 1.4.1 Gas metering contestability

We consider that the simplification to a single reference service instead of two bundled services (which in effect are only available as one) will reduce the number of individual

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<sup>1</sup> NGR, r. 48(1)(a) and (b).

<sup>2</sup> JGN, *2015-20 Access Arrangement Response to the AER's draft decision & revised proposal*, February 2015, pp. 3-4.

<sup>3</sup> AER, *Draft decision Jemena Gas Networks (NSW) Ltd Access arrangement 2015-20 Attachment 1 – Services covered by the access arrangement*, November 2014, p. 10.

<sup>4</sup> JGN, *2015-20 Access Arrangement Response to the AER's draft decision & revised proposal*, February 2015, p. 3.

<sup>5</sup> AGL, *AGL Response to AER NSW Gas (Jemena) Draft Decision*, 27 March 2015, p. 2; JGN, *Jemena Gas Networks 2015-20 Access Arrangement Proposal – AGL Energy Limited submission*, 30 January 2015, p. 8.

tariffs and charge components. This would also harmonise JGN's reference service with those of other gas distributors in other jurisdictions.<sup>6</sup>

AGL submitted that the bundling of services may require systems changes, imposing needless cost on industry.<sup>7</sup> We consider that AGL may have systems and procedures already in place to adapt to the bundling of services because it operates in Victoria and South Australia where meter data services are currently merged.

AGL also stated that the Australian Energy Market Commission may introduce gas meter contestability, because it is proposing draft rule changes to introduce meter contestability into electricity markets. The introduction of electricity metering contestability does not necessarily mean that gas metering contestability will be introduced in the near future.<sup>8</sup>

One significant driver of electricity metering contestability has been a desire to foster introduction of time of use tariffs to mass market electricity customers. There is no equivalent gas network or retail imperative for time of use pricing and associated behavioural change in the gas sector.

We are not aware of any evidence suggesting that gas meter reading contestability in NSW has changed since 2000. Nor does the information before us suggest that it may change in the next Access Arrangement period. In addition, JGN submitted that the provisions to facilitate contestable meter data services were removed from NSW and ACT Gas Retail Market Procedures in 2000. Under clause 17.1 of JGN's Reference Service Agreement, meter data services and haulage reference services are not currently separately available. Furthermore, these services are only available from the gas distribution service provider. We accept that merging them into one reference tariff would provide administrative simplicity. This is supported by the fact that they are offered as a haulage reference service in other jurisdictions.

While we accept that the AEMC is currently contemplating a rule change to introduce electricity industry meter contestability, no such rule change has been contemplated in the gas industry. If such a rule change was proposed and subsequently implemented then all gas network operators would be required to unbundle their meter data services from haulage reference services.

We will not pre-empt such a potential—and substantial—change. We therefore consider it reasonable to bring JGN's services into line with those of other gas distributors.<sup>9</sup>

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<sup>6</sup> AGL, *AGL Response to AER NSW Gas (Jemena) Draft Decision*, 27 March 2015, p. 2; JGN, *Jemena Gas Networks 2015-20 Access Arrangement Proposal – AGL Energy Limited submission*, 30 January 2015, p. 8.

<sup>7</sup> AGL, *AGL Response to AER NSW Gas (Jemena) Draft Decision*, 27 March 2015, p. 2.

<sup>8</sup> AGL, *AGL Response to AER NSW Gas (Jemena) Draft Decision*, 27 March 2015, p. 2.

<sup>9</sup> AGL, *AGL Response to AER NSW Gas (Jemena) Draft Decision*, 27 March 2015, p. 2; AER, *Draft decision Jemena Gas Networks (NSW) Ltd Access arrangement 2015-20 Attachment 1 - Services covered by the access arrangement*, November 2014, pp. 12–13.