



# JGN 2020-25 Gas Access Arrangement (AA) Review

Public forum

**7 August 2019**

**9:30am – 12:30pm**

**Dexus Place, 1 Margaret Street, Sydney**

[aer.gov.au](http://aer.gov.au)

# Agenda

Time	Item
9:30 – 9:40	AER: Welcome & introductions
9:40 – 10:00	AER: Initial observations & how to get involved
10:00 – 10:30	CCP19: Initial observations
10:30 – 11:00	<i>Morning tea break</i>
11:00 – 11:15	ECA: Initial observations
11:15 – 11:30	PIAC: Initial observations
11:30 – 12:00	JGN: Thoughts in response
12:00 – 12:20	Discussion / Q&A
12:20 – 12:30	AER: Thank you & close

## Who are we?

- The AER works to make Australian energy consumers better off by:
  - Regulating electricity networks and covered gas pipelines, in all jurisdictions except WA
  - Enforcing the laws for the NEM and spot gas markets in southern and eastern Australia
  - Protecting the interests of household and small business consumers by enforcing the NERL

## About this process

- We regulate full regulation gas pipelines (such as JGN's) under an approved AA
- AA specifies pipeline services (reference services), and price and non-price terms & conditions on which reference services will be offered
- AA forms the foundation for negotiations between pipeline operators and users
- In terms of JGN's 2020-25 AA Proposal, we will make regulatory decisions on the revenue JGN can recover from users of its reference services

## What we want to hear from you

- Extent to which JGN's Proposal draws on the feedback received from its consumer engagement
  - Has this been adequately reflected?
  - Are these the right areas of focus for us?
- Key themes from JGN's consumer engagement:
  - Affordability
  - A safe and reliable gas service
  - Fairness (current/future customers, service, needs)
  - Innovating and planning for the future

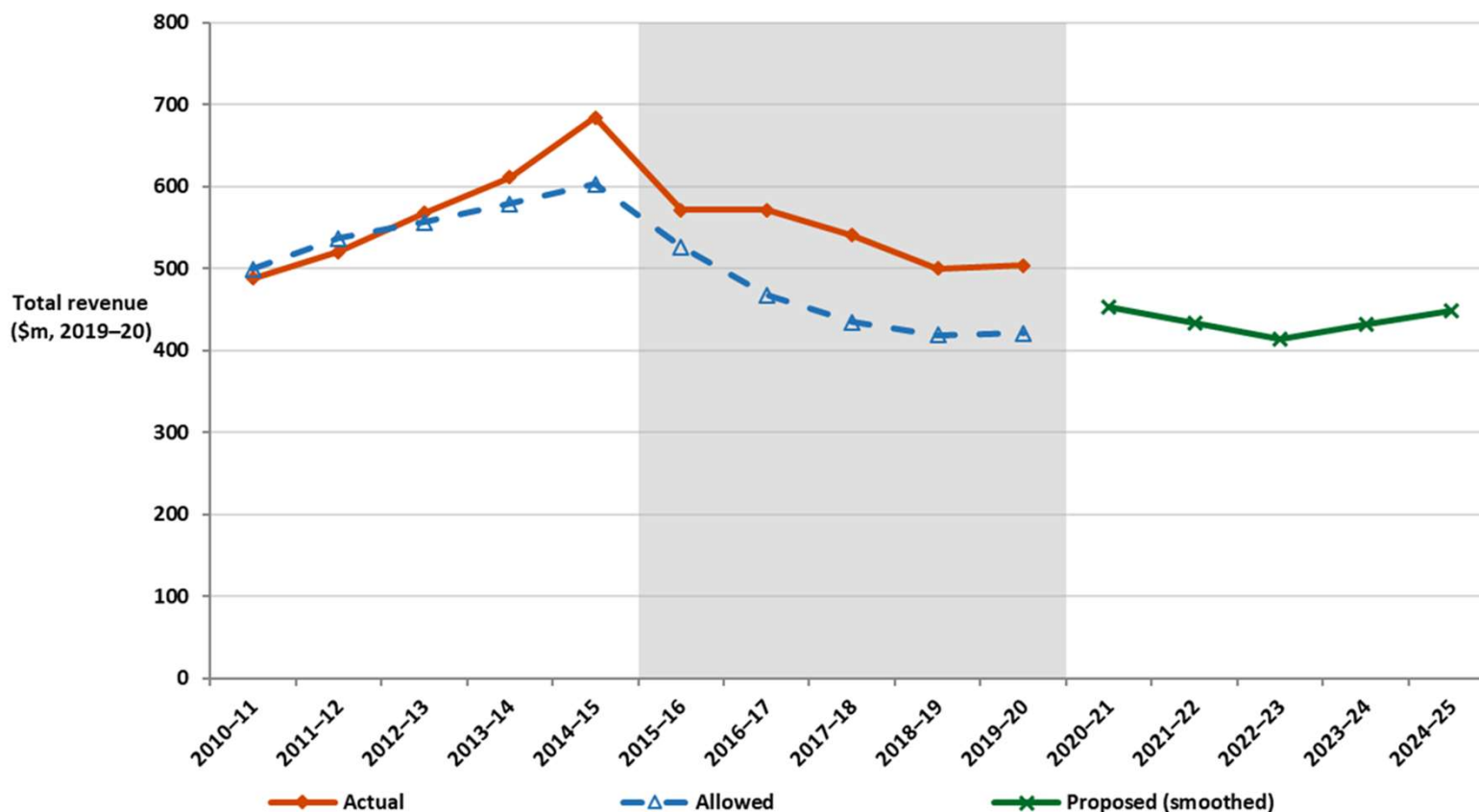
## JGN's Proposal – What it means for customers?

- Network bills *down* by 11-18% (excl/incl remittal) over the 2020-25 period for typical JGN customer
  - JGN network costs approx. 35-40% of retail bill

(\$2020, real)	Residential (15GJ coastal customer)	Commercial (2000GJ coastal customer)	Industrial (Chargeable demand customer; CD350, DC3)
Network bill (incl remittal return, \$169M)	-18% or -\$244 over 5yrs	-18% or -\$11.6K over 5yrs	-18% or -\$112.8K over 5yrs
Network bill (excl remittal return, \$169M)	-11% or -\$150 over 5yrs	-11% or -\$7.2K over 5yrs	-11% or -\$70K over 5yrs

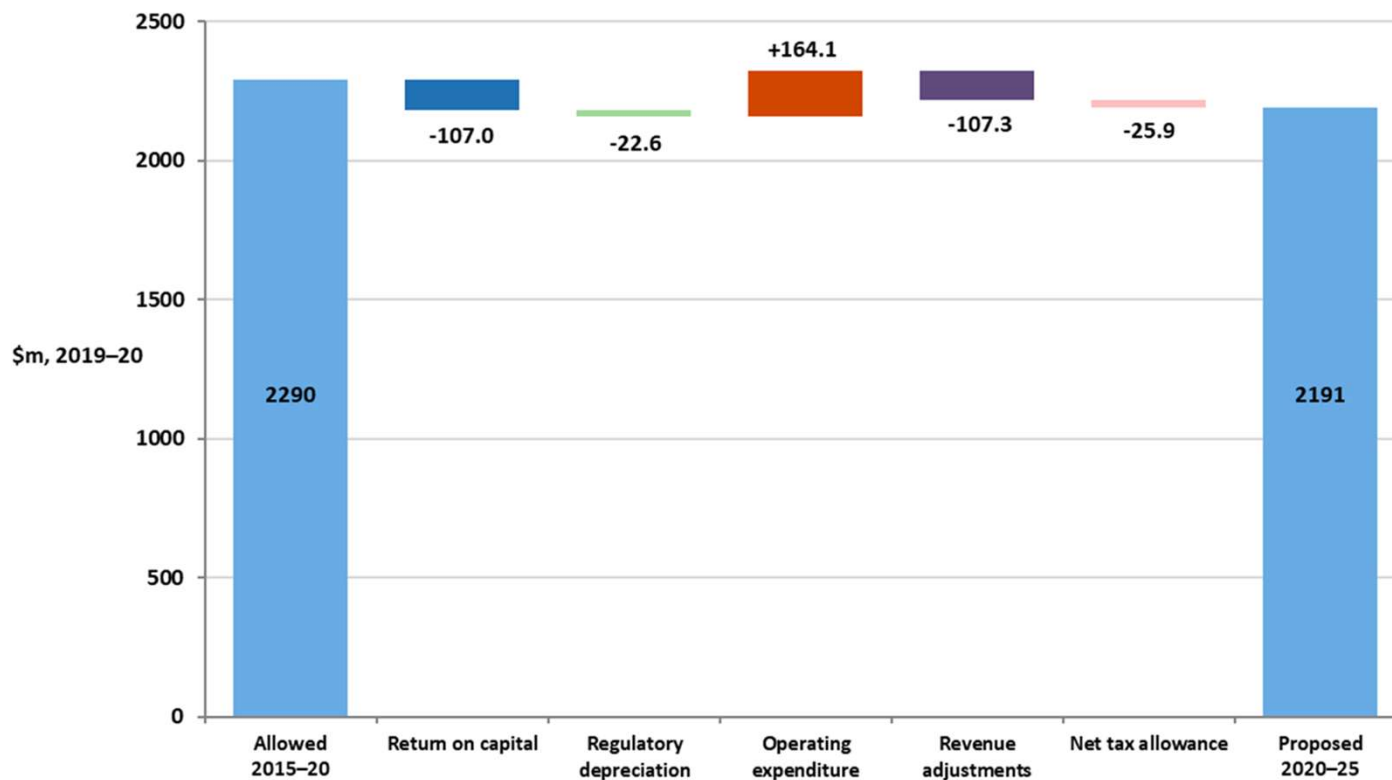
## JGN's Proposal – Total revenue

- JGN is proposing 2020-25 total revenue of \$2,180M (smoothed, incl \$169M remittal return)



## JGN's Proposal – Changes in building blocks

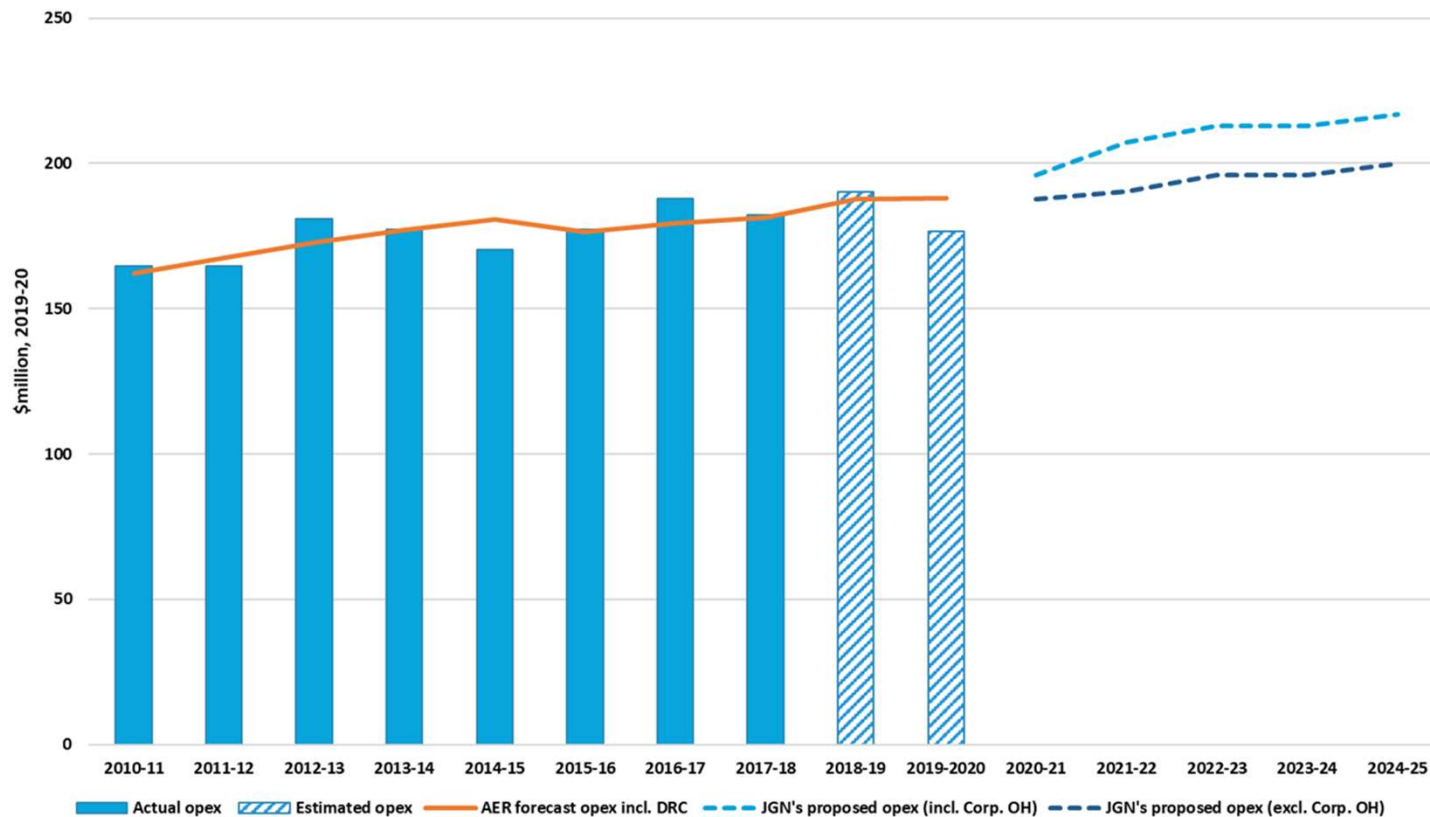
- Total revenue (unsmoothed, incl remittal) *down* \$98.8M (or 4.3%) to \$2,191M





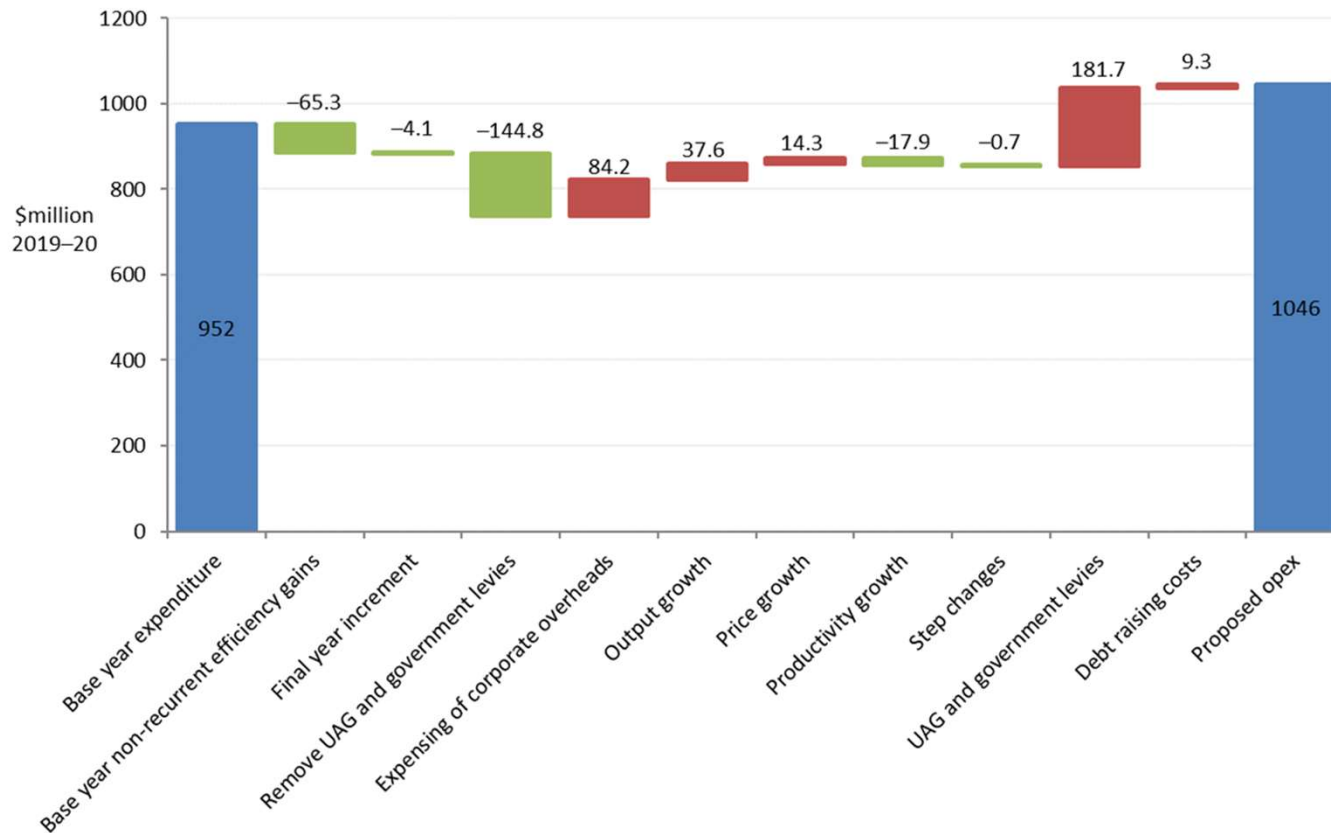
## JGN's Proposal – Operating expenditure (opex)

- Opex *up* 14.4% for the period to \$1,046M (incl corp o/h), or *up* 6.1% for the period to \$970M (excl corp o/h)



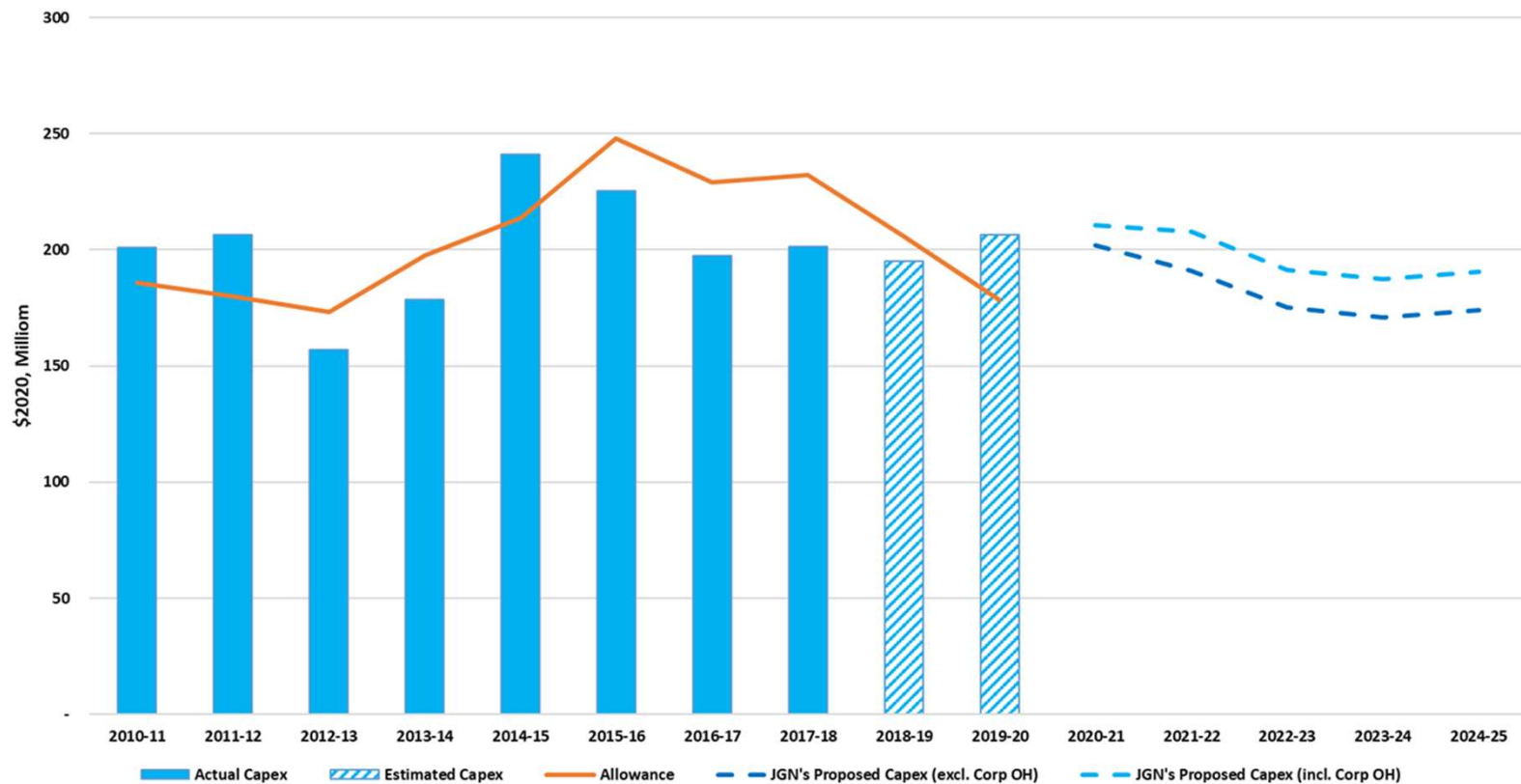
## JGN's Proposal – Operating expenditure (opex)

- Opex key drivers are UAG, output growth, and expensing of corporate overheads



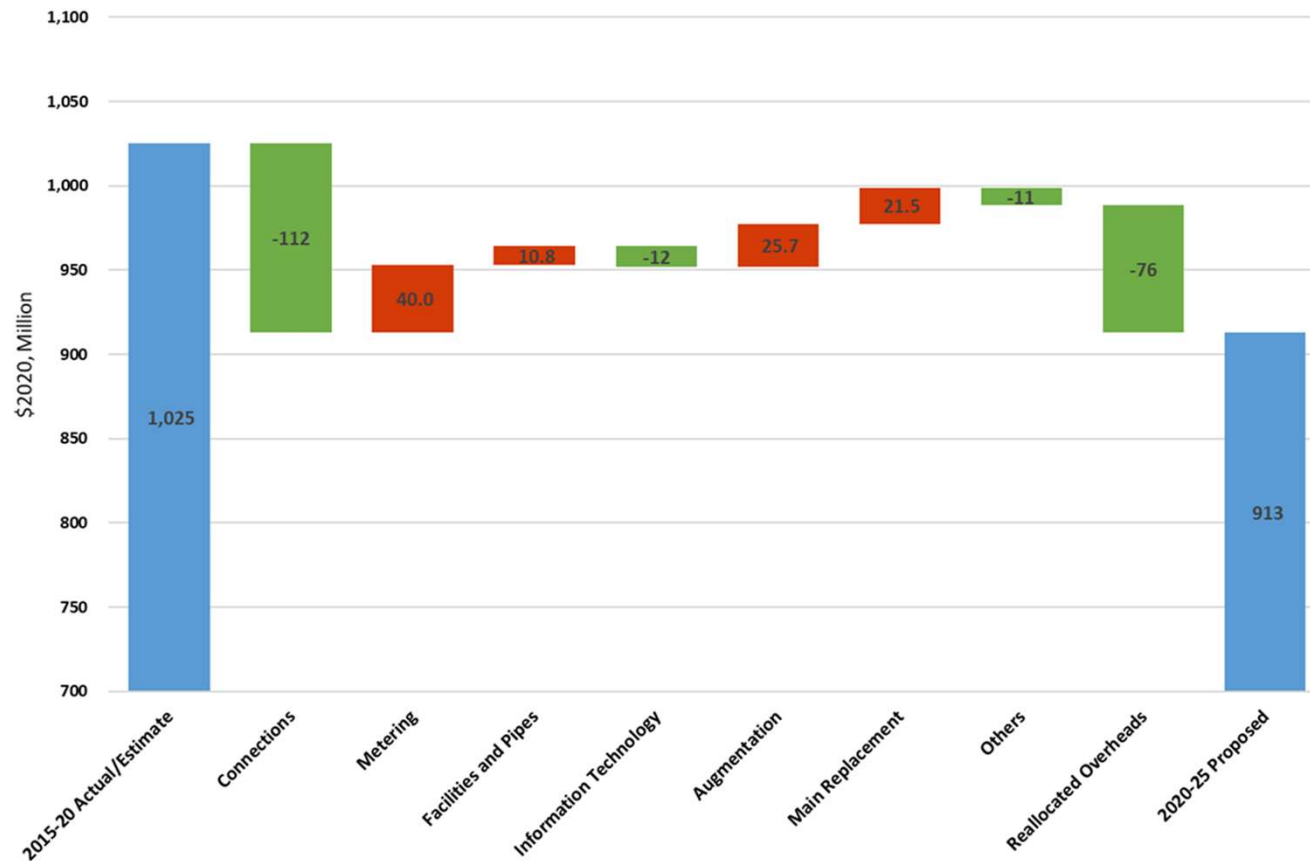
## JGN's Proposal – Capital expenditure (capex)

- Capex *down* 11% for the period to \$913M (excl corp o/h), or *down* 3.6% for the period to \$989M (incl corp o/h)



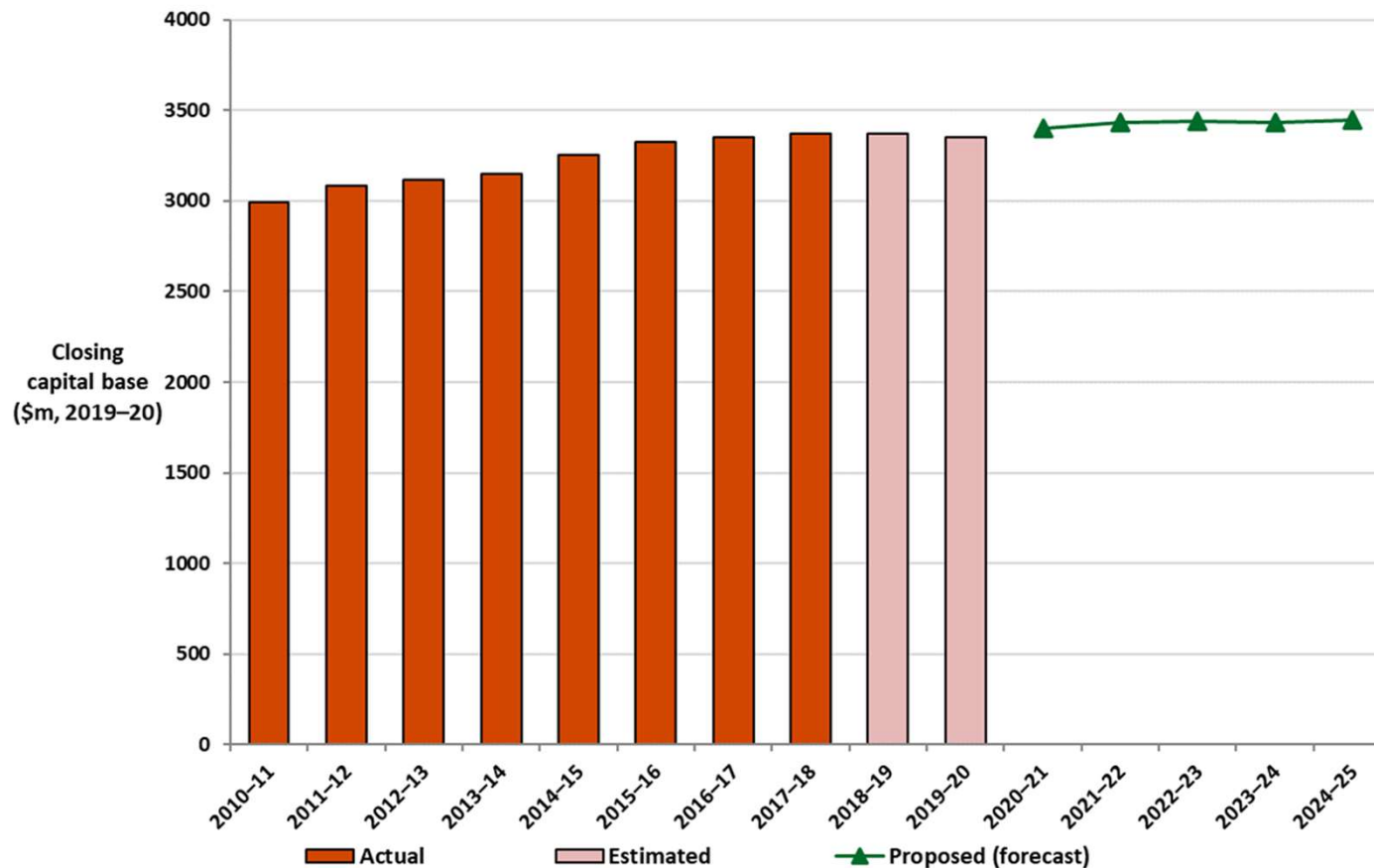
# JGN's Proposal – Capital expenditure (capex)

- Capex key drivers are connections, metering, and corporate overheads



## JGN's Proposal – Regulatory Asset Base (RAB)

- RAB *up* 2.7% by the end of the 2020-25 period



## Issues: Reduced asset lives for new capital

- Role of natural gas and gas networks in future?
  - Uncertainty around long-term viability
  - NSW Govt aspirational target of net-zero carbon emissions by 2050
  - Potential for re-purposing network (hydrogen)
- JGN proposing reduced asset lives (new capital)
  - Shorter lives compared to current AER approach
  - Inter-generational price impact / NPV neutral
  - Supported by JGN's stakeholder surveys

## Issues: Boundary metering for new high-rise


- JGN will offer two connection solutions for new high-rise or other developments with centralised hot water from 1 July 2020:
  - Individual gas metering – where the high-rise has individual gas hot water systems for each unit
  - Boundary gas metering – where the high-rise has a centralised hot water system
- JGN will not offer hot water metering services to new sites from 1 July 2020.
  - To be provided by a third party service provider – an Embedded Network Provider (ENP)

## Issues: Boundary metering for new high-rise (cont.)

- Potential market opportunity for ENPs:
  - Likelihood of new market entrants, increased competition, greater service innovation?
- Gas customer experience:
  - Any implications for service quality, choice, price?
- Gas customer protections:
  - Are current protections laws/rules adequate?
- Already happening in other jurisdictions:
  - What's been the VIC experience?



## What happens next?

Milestone	Date
JGN submitted Access Arrangement (AA) Proposal	28 June 2019
AER stakeholder forum on JGN AA Proposal	7 August 2019
 <b>Submissions on JGN AA Proposal close</b>	<b>9 August 2019</b>
AER publishes Draft Decision	November 2019
JGN submits Revised AA Proposal	January 2020
Submissions on Draft Decision and Revised AA Proposal close	February 2020
AER publishes Final Decision	April 2020

## How can you get involved?

- Stakeholder submissions due 9 August 2019
- Subscribe to our website for updates:  
<https://www.aer.gov.au/newsletter/subscribe>
- Contact us:  
[JGNgaar2020-25@aer.gov.au](mailto:JGNgaar2020-25@ aer.gov.au)