

**STATEMENT OF REASONS**

**Jemena Gas Networks (NSW) Ltd:**

**Annual Tariff Variation for 2014–15**

The Australian Energy Regulator has approved Jemena Gas Networks (NSW) Ltd’s (JGN) proposed annual tariff variation in accordance with clause 3.4(d) of the 2010–15 access arrangement for JGN’s NSW gas distribution networks (the access arrangement). The access arrangement sets out a price path over a five year period. The approved tariffs are consistent with the price path established by the access arrangement and approved by the AER at the time of the last gas price review.

The coastal volume tariff, representing 84 per cent of JGN’s regulated revenue, will increase by around 12 per cent compared to the previous year.

Tariffs will be further adjusted for cost pass-through events the AER has assessed in accordance with clause 3.4 of the access arrangement. These events reflect additional costs incurred by JGN in providing gas pipeline services. Details are set out below and in the accompanying AER decision paper. The cost pass throughs sum to around 1.8 per cent of JGN’s 2014-15 regulated tariff revenue.

The reason for approving the proposed tariff variation is that:

* the AER is satisfied that JGN has correctly applied the approved annual tariff variation mechanism to calculate the reference tariffs in accordance with clause 3.5 of the access arrangement. The approved tariff variation mechanism for haulage reference services consists of an escalation formula applied via a weighted average tariff basket of reference services (excluding meter data services). The escalation formula is the change in the December quarter CPI on a year on year basis multiplied by an approved X factor. Tariffs for meter data services are escalated by the change in the December quarter CPI on a year on year basis.
* the AER is satisfied that cost pass-through events as defined in clauses 3.5C and 3.5D of the access arrangement (for unaccounted for gas, carbon pollution reduction scheme and licence fees) have occurred and the AER considers that JGN has adjusted the 2014–15 tariffs in accordance with the approved cost pass-through mechanism. In making this decision the AER has considered the factors in clause 3.4(f)(iii) of the access arrangement.

The tariffs that are approved for 2014–15 are set out separately in:

[*Jemena Gas Networks (NSW) Ltd NSW Gas Network Schedule of reference tariffs and charges effective 1 July 2014*](http://www.aer.gov.au/node/25226)  published on the AER website (aer.gov.au).