

Jemena Gas Networks (NSW) Ltd

2015-20 Access Arrangement

Response to the AER's draft decision and revised proposal

Appendix 7.11 - Future averaging periods

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1. PROPOSED AVEARGING PERIODS

1.1 SUMMARY

1. Jemena Gas Networks (**JGN**) proposed to use the 20 business days from 19 January 2015 to 16 February 2015 (inclusive) as the period to estimate:
 - a) the annual return on debt observation for the first year of the next access arrangement (**AA**) period, and
 - b) the risk-free rate used to estimate the return on equity for all years of that period.
2. The Australian Energy Regulator (**AER**) accepted this proposal.
3. JGN also proposed a mechanism for setting subsequent averaging periods for updating the return on debt allowance within the next AA period. The AER rejected this proposal in its draft decision—and we have responded to the AER's reasons for rejecting it in Appendix 7.10.
4. For reasons set out in Appendix 7.10, JGN maintains its proposal for a mechanism to allow selection of averaging periods within the access arrangement period. Therefore JGN has retained the proposed selection mechanism in its revised AA.
5. The purpose of this appendix is to set out our proposed averaging periods for year two to year five of the next AA period *if our revised proposal to retain the averaging period setting mechanism is rejected*. For clarity, proposing these periods in this appendix does not mean we accept the AER's draft decision to require all averaging periods for the next AAA period to be included in the final decision.

1.2 AVERAGING PERIODS FOR YEARS TWO TO THREE OF THE NEXT AA PERIOD

6. If required, then JGN proposes the following averaging periods for year two to year five of the next AA period:
 - 2016-17: [[c-i-c]] – [[c-i-c]] (inclusive)
 - 2017-18: [[c-i-c]] – [[c-i-c]] (inclusive)
 - 2018-19: [[c-i-c]] – [[c-i-c]] (inclusive)
 - 2019-20: [[c-i-c]] – [[c-i-c]] (inclusive).

1.3 CONFIDENTIALITY

7. Consistent with the rate of return guideline and previous regulatory practice, we propose keeping the dates for each averaging period confidential until after it has passed. This gives JGN an opportunity to align its actual funding costs with the allowed rate of return estimated over this period without the risk of other market participants using this information against our legitimate commercial interests.