



30 September 2014

Jemena Gas Networks
(NSW) Ltd
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Via email

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Dear Mr Rodgers

Jemena Gas Networks 2015-20 Access Arrangement Proposal – Orica submission

I am writing in response to Orica's submission on Jemena Gas Networks' (JGN) 2015-20 Access Arrangement Proposal (**proposal**), which was submitted to the Australian Energy Regulator (**AER**) on 30 June 2014.

Orica's submission raises a number of important matters regarding our proposal. In summary these are:

- prices applicable to the 2015-20 period
- chargeable demand (**CD**) tariff structures
- explanations for our proposed capital expenditure program
- our consultation with Orica prior to lodging our proposal with the AER.

Orica's indicative price path for 2015-20

[c-i-c]

CD tariff structures

As set out in TSS¹, JGN's tariff strategy seeks to ensure that similar customers pay similar prices. The introduction of the new block in the chargeable demand tariff structure is explained in JGNs TSS.²

To address this incentive, we are modifying our demand capacity block structure by adding a new block. This allows us to equalise the effective prices similar customers face. It ensures that customers shifting from the volume to the demand tariff class continue to face prices that reflect the costs these customers impose on our network ...As always, we will do this over the longer term to provide price stability to our customers.

This new block is the result of the current first block (0-200 GJ of CD) being split into two blocks: 0-50 GJ, and 50-200 GJ. All other blocks are unchanged.

Our TSS, including this block structure proposal, was provided to our Customer Council (**CC**) members (including representatives from the Australian Industry Group (**AIG**) and the Energy User's Association of Australia (**EUAA**)) for comment prior to

¹ JGN, Tariff Structures Statement, 30 June 2014. Available at www.jemena.com.au

² See section 7.3.1.1.

the JGN CCI of 29 May 2014 meeting. No comments were received from either member.

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Capital expenditure program

We appreciate Orica's acknowledgement that we must invest adequately to deliver gas to our customers in a safe and reliable manner.

We are, therefore, surprised that Orica considered our proposal to lack detail regarding our forecast capital expenditure program for the 2015-20 period. Our proposal includes a significant volume of high-quality information on our capital expenditure proposal, across a number of documents, including:

- Access Arrangement Information (**AAI**) chapter 6 on capital expenditure
- AAI appendix 6.1 – 20 year asset strategy
- AAI appendix 6.2 – asset management plan
- AAI appendix 6.6 – forecast capital expenditure report.

All of these documents are available on our website. We are happy to discuss the specific content of these capital expenditure explanatory documents with Orica if this would be considered useful and would help us to better engage with you in terms of the service that we provide

Pre-lodgement consultation

We are disappointed that Orica feels that it was not appropriately consulted prior to the lodgement of our proposal.

JGN tailored our customer and stakeholder engagement program to try and suit each of our customer cohorts. Our understanding was that our large customers (including Orica) were time-poor, and consequently valued us consulting directly with their industry representatives in addition to the targeted one-on-one discussions we had with them.

Meeting with Orica – 23 December 2013

As noted in your submission, JGN representatives held a 1 hour teleconference with you on the following matters:

- demand forecasts for Orica's Kooragang Island plant
- the future of the first response tariff
- chargeable demand resets
- ongoing engagement with Orica.

At this meeting we discussed that (as set out in our meeting notes, emailed to you 14 February 2014, where we also requested confirmation of accuracy):

- JGN would be engaging with a range of customers on the development of its proposal
- JGN will also engage with large customers through the JGN CC, and in particular through the EUAA and AIG
- Orica is not currently a member of the EUAA but are considering re-joining it
- JGN will provide the materials that are presented to the JGN CC on its website
- Orica may raise any specific issues directly with JGN as it develops its proposal.

JGN Customer Council meetings

EUAA and AIG representatives are members of the JGN CC. JGN emails fact-sheets to all CC members two weeks prior to each CC meeting, as background to the issues to be discussed at each CC meeting. The fact-sheets sent for the meetings of 26 February 2014 and 29 May 14 stated our intentions for the large customer price path.

At the JGN CC on 26 February 2014 and 29 May 2014 our senior management explained our intentions for the large customer price path. While invited, and having received the fact-sheets prior to the meetings, unfortunately representatives of the AIG or EUAA could not attend either meeting.

The presentations and factsheets were made available to the general public on our website soon after each meeting.³ We note that Orica is registered with us to receive email updates as new materials are added to our website.

Meeting with Orica – 15 April 2014

As noted in your submission, JGN representatives travelled from Sydney to Newcastle (Kooragang Island) specifically to discuss proposal issues with Orica. This involved two staff members committing a day to Orica specifically (including travel time and preparation). While we very much appreciate Orica making the time to meet for this discussion, we also hope that Orica appreciated our time to engage directly on matters you told us were important to you.

Email and telephone communication

As noted in your submission, JGN also used email and telephone communications with Orica to discuss proposal matters. For example, in our email communication of 14 February 2014 we:

- thanked Orica for recently engaging with us as part of the development of our proposal

³ See <http://jemena.com.au/Gas/Customer-Engagement-and-Price-Review/Engaging-with-the-community.aspx>

- advised that information related to our gas price review as well as opportunities to stay informed were available on our website
- advised that we would preregister Orica for email updates (unless requested otherwise) to ensure that Orica were kept informed.

On 30 April 2014, we received a request from Orica to respond to nine questions relating to the first response tariff. We responded to these nine questions via email on 12 May 2014.

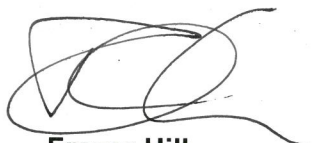
We also had a number of telephone conversations and additional email correspondence with Orica representatives and/or Orica's retailer about the first response tariff.

Ongoing commitment

We felt that our engagement with you prior to the lodgement of our submission struck the right balance recognising your time constraints. However, we welcome constructive feedback that will help us continually improve how we engage with our important customers. We are also keen to work with Orica to ensure we continue to provide a service that meets your needs.

Orica has been dealing directly with Jemena's Phil Glasscock on proposal and business-as-usual matters. As always, Phil is available on 02 9455 1590 if you wish to discuss our price and service offerings. We look forward to providing Orica a value for money natural gas service into the future.

Yours sincerely



Frazer Hill
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Jemena Limited