

9 August 2019

Mr Sebastian Roberts
General Manager, Transmission and Gas
Australian Energy Regulator
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Dear Mr Roberts,

Submission on Jemena Gas Networks regulatory proposal

AusNet Services appreciates the opportunity to respond to Jemena Gas Networks (NSW) 2020-25 Access Arrangement Proposal. In this submission we comment on Jemena's proposal to adjust the standard asset lives applied to new investments where they state:¹

We are proposing to align the standard asset lives for new investments made from 1 July 2020 with our current and best view of their economic lives. We no longer consider that legacy engineering views of asset lives are fit for the effective commercial life of assets we install in future for the asset classes affected by this change.

AusNet Services notes the National Gas Rules (NGR) are clear that asset lives can be changed to reflect changes in the expected economic lives of asset. Rule 89(1)(c) states that:

The depreciation schedule should be designed:

(c) so as to allow, as far as reasonably practicable, for adjustment reflecting changes in the expected economic life of a particular asset, or a particular group of assets;

We consider that Jemena's proposal is consistent with the NGR and the AER should give a full consideration to the economic lives of gas assets and Jemena's arguments on the expected use of those assets in the long term in their gas distribution network. Where Jemena can demonstrate their proposal better reflects the expected economic life of these assets, then we would consider it is in the long term interests of their customers and should be supported by the AER. We also note the positive and strong customer support for this change outlined in Jemena's proposal.

If you have any queries about any of the positions outlined in this response, please do not hesitate to contact Michael Larkin on 03 9695 6346.

Yours sincerely,



Greg Hannan
Manager Economic Regulation

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Jemena Gas Networks (NSW) Ltd 2020-25 Access Arrangement Proposal Attachment 7.10