

# **Presentation to Public Forum**

## **Jemena Gas Networks (JGN) Gas Access Arrangements Review 2020-25**

**Consumer Challenge Panel CCP19  
Sydney – 7 August 2019**

# Role of Consumer Challenge Panel

- The role of the Consumer Challenge Panel is to bring consumer perspective to the AER's decision-making
- CCP19 comprises David Prins and Chris Fitz-Neade
- In this review process, CCP19 has
  - Liaised throughout with JGN and with AER
  - Held discussions with consumer advocates
  - Attended consumer engagement events undertaken by JGN
  - Attended JGN Customer Council meetings and deep-dives
  - Reviewed JGN's draft plan
  - Commenced review of JGN's proposal

# Overview of this presentation

- Review of JGN's Consumer Engagement activities
- Initial thoughts / questions for discussion on
  - The future of gas networks
  - Capex
  - Accelerated depreciation
  - Capital Expenditure Sharing Scheme (CESS)

# Consumer engagement activities

- Genuine commitment to consumer engagement
- Included residential and small business customers
- Deliberative forums and targeted workshops
- Extended consumer engagement including events for particular groups (over 55s, CALD)
- Results of consumer engagement fed back into the regulatory proposal
- Use of a draft plan for consultation and information purposes

# The future of gas networks

- A reduced carbon future vs. a zero carbon future
- Australia does not have a federal energy and emissions policy
- The long-term future of the gas network is uncertain – that isn't news
- NSW Government has an aspirational target of net-zero carbon by 2050
- Various gas industry reviews
- Hydrogen?
- What does gas network spending tell us?
- Timing

# Capex

- Underspend of capex in various categories against allowed spend in 2010-15 and 2015-20
  - Implications for robustness of forecasts for 2020-25?
- Planned new pipelines
  - Secondary mains brought forward 10 years (northern Sydney supply)
  - Proposed new excess capacity (Aeotropolis)
  - Longer term cost savings rely on forecast growth. Will it happen?
- Consumer support to “invest for the future”

# Accelerated depreciation

- Proposal for reduced asset lives for new capital spending
- NPV neutral / inter-generational issues – short-term vs long-term / justification
  - Short-term vs long-term interests of consumers
  - Interest rates are at historic lows
- Consumer engagement
  - Affordability
  - Fairness
  - Planning for the future
- We are looking closely at the consumer engagement
- Comparisons with other gas networks

# Capital Expenditure Sharing Scheme (CESS)

- Deep-dive in which many stakeholders including CCP19 participated
- JGN has acted on feedback from the deep dive
  - Removed connections
  - Changed weightings
- What are the long-term benefits for consumers?
- What efficiencies are already in the JGN forecasts?
  - View of an incentive scheme as a “stretch target”