



Decision

Access arrangement

JGN's NSW gas distribution networks

1 July 2010 – 30 June 2015

June 2010

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Shortened forms

Shortened form

Extended form

access arrangement information	Jemena Gas Networks (NSW) Ltd, <i>Access arrangement information</i> , 25 August 2009
access arrangement information drafted by the AER	AER, <i>Access arrangement information for the access arrangement proposal drafted by the AER, JGN's NSW gas distribution networks, 1 July 2010 – 30 June 2015</i> , June 2010
access arrangement period	1 July 2010 to 30 June 2015
access arrangement proposal	Jemena Gas Networks (NSW) Ltd, <i>Access arrangement</i> , August 2009
access arrangement proposal drafted by the AER	AER, <i>Access arrangement proposal drafted by the AER, JGN's NSW gas distribution networks, 1 July 2010 – 30 June 2015</i> , June 2010
AER	Australian Energy Regulator
draft decision	AER, <i>Draft decision, Jemena, Access arrangement proposal for the NSW gas networks, 1 July 2010 – 30 June 2015</i> , February 2010
final decision	AER, <i>Final decision, Jemena Gas Networks, Access arrangement proposal for the NSW gas networks, 1 July 2010 – 30 June 2015</i> , June 2010
JGN	Jemena Gas Networks (NSW) Ltd
NGR	National Gas Rules
revised access arrangement information	Jemena Gas Networks (NSW) Ltd, <i>Revised access arrangement information</i> , 19 March 2010
revised access arrangement proposal	Jemena Gas Networks (NSW) Ltd, <i>Access arrangement (revision in response to AER draft decision: marked)</i> , March 2010

Background

The Jemena Gas Networks (NSW) Ltd (JGN) NSW gas distribution networks provide gas to more than a million customers across Sydney, Newcastle, the Central Coast, Wollongong, and over 20 country centres, including those within the Central Tablelands, Central West, Southern Tablelands and Riverina districts.¹

The JGN NSW gas distribution networks consist of approximately 267 kilometres (km) of trunk mains, 143 km of primary mains, 1428 km of secondary mains and 22 596 km of medium and low pressure pipelines² and are classified as covered distribution pipelines.³

The JGN NSW gas distribution networks transport close to 100 petajoules (PJ) of gas per annum. This network transports an estimated 66 PJ of gas per year to large customers, who consume more than 10 terajoules (TJ) each per year and 35 PJ of gas per year to approximately 1 050 000 small customers. Large customers contribute approximately 12 per cent of annual revenue and small customers 88 per cent of annual revenue.⁴

Access arrangement proposal

JGN submitted its Access arrangement, August 2009 (access arrangement proposal) and Access arrangement information, August 2009 (access arrangement information) on 25 August 2009. The Australian Energy Regulator (AER) published the access arrangement proposal and access arrangement information on 15 September 2009 and held a public forum on 23 September 2009 in Sydney.

The access arrangement proposal outlines the proposed terms and conditions of access for the JGN NSW gas distribution networks for the period 1 July 2010 to 30 June 2015. The purpose of the access arrangement information is to set out the background and basis of various elements of the access arrangement proposal.⁵

On 27 November 2009 the AER held a round table discussion concerning certain specific terms and conditions proposed in the access arrangement proposal.⁶ This was followed up by a round table discussion on 11 December 2009 about JGN's proposed tariffs and tariff structure.⁷

1 Jemena Gas Networks (NSW) Ltd, *Revised access arrangement information*, March 2010, p. 6 (JGN, *Revised access arrangement information*, March 2010, p.6).

2 JGN, *Revised access arrangement information*, March 2010, p. 7.

3 Australian Energy Market Commission, *List of natural gas pipelines*, viewed 16 June 2010, <<http://www.aemc.gov.au/Gas/Scheme-Register/Pipeline-list-summary.html#NSW>>.

4 Jemena Gas Networks (NSW) Ltd, *Access arrangement information*, August 2009, p. 13.

5 NGR, r. 42.

6 AER, *Round-table discussion of Jemena's access arrangement proposal (2010–2015): terms & conditions*, 27 November 2009, viewed 16 June 2010, <<http://www.aer.gov.au/content/index.phtml?itemId=732690>>.

7 AER, *Round table discussion about Jemena's proposed tariffs and tariff structure*, 11 December 2009, viewed 16 June 2010, <<http://www.aer.gov.au/content/index.phtml?itemId=733157>>.

Draft decision on service provider's access arrangement proposal

On 9 February 2010, the AER released the Draft decision, Jemena, Access arrangement proposal for the NSW gas networks, 1 July 2010 – 30 June 2015, February 2010 (draft decision) on the access arrangement proposal. The draft decision does not approve the access arrangement proposal and requires amendments to the access arrangement proposal and access arrangement information. The AER held a public forum on the draft decision on 24 February 2010 in Sydney.

Revised access arrangement proposal

On 19 March 2010, JGN submitted the Access arrangement (revision in response to AER draft decision: marked), March 2010 (revised access arrangement proposal) to the AER and the Revised access arrangement information, 19 March 2010 (revised access arrangement information) for the JGN NSW gas distribution networks. JGN also submitted an initial response to the draft decision.⁸ JGN provided additional information after 19 March 2010 but before the AER made its final decision to support the revised access arrangement proposal.

Final decision on service provider's access arrangement proposal

On 11 June 2010 the AER released the Final decision, Jemena Gas Networks, Access arrangement proposal for the NSW gas distribution networks, 1 July 2010 – 30 June 2015, June 2010 (final decision) on the revised access arrangement proposal. The final decision does not approve the revised access arrangement proposal. The final decision includes revisions required to the revised access arrangement proposal and the revised access arrangement information. The access arrangement proposal (including the access arrangement information) drafted by the AER is attached to the final decision.

The final decision states that in accordance with r. 64(4) of the National Gas Rules (NGR), the AER will make a decision in respect of the access arrangement proposal drafted by the AER within two months of making its final decision.⁹ This provides the AER an opportunity to review its access arrangement proposal for errors and omissions.

Review for errors and omissions

The AER conducted its review and identified a number of errors and omissions in the documents which require correction. These errors and omissions have been corrected and the corrections have been incorporated in the access arrangement and access arrangement information published with this decision. The appendix lists revisions for errors and omissions (other than minor formatting changes) in the documents annexed to the final decision.

8 Jemena Gas Networks (NSW) Ltd, *Initial response to the draft decision*, 19 March 2010.

9 AER, *Final decision, Jemena Gas Networks, Access arrangement proposal for the NSW gas networks, 1 July 2010–30 June 2015*, June 2010, p. 10.

Decision on the access arrangement

In accordance with r. 64(4) of the NGR, the AER approves the access arrangement (including the access arrangement information) drafted by the AER for the JGN NSW gas distribution networks being the access arrangement published with this decision.

In accordance with r. 64(6) of the NGR, the access arrangement shall take effect on 1 July 2010.

Appendix—Revisions

The AER makes the following revisions:

Revision 1: amend the access arrangement proposal drafted by the AER to:

- delete ‘section’ in clause 3.2(b) and replace it with ‘Section’
- delete ‘reference’ in clause 3.4(b)(i) and replace it with ‘Reference’
- include a full stop at the end of the first paragraph in clause 3.4(d)(i)
- delete ‘cost pass-through application’ in the second paragraph in clause 3.4(d)(i) and replace it with ‘Cost Pass-Through Event Application’
- delete ‘Year t ’ in clause 3.4(d)(v) and replace it with ‘Year t ’
- delete all references to ‘reference tariff’ in clause 3.4(d)(v) and replace them with ‘Reference Tariffs’
- delete clause 3.4(d)(vi)
- renumber clause 3.4(d)(vii) to 3.4(d)(vi)
- delete ‘and assessment by the AER’ in the heading for clause 3.4(e)
- delete the following in clause 3.4(e)(i):
 - ‘Pass Through’ and ‘Pass Through Event’ and replace them with ‘Cost Pass-Through Event’
 - ‘clause 3.4(e)(iv)’ and replace it with ‘clause 3.4(f)(iv)’
- include ‘and’ at the end of clause 3.4(e)(ii)A
- delete the semi-colon at the end of clause 3.4(e)(ii)B and replace it with a full stop
- delete clause 3.4(e)(ii)C, D and E and replace it with the following new clause 3.4(f):
 - (f) **Cost Pass-Through Event: Cost Pass Through Event Application and assessment by the AER**
 - (i) The Service Provider must make an application to pass through the increase or decrease in cost arising from a Cost Pass-Through Event:
 - A. in relation to a Change in Tax Event, UAG Adjustment Event and License Fee Adjustment Event, at the time the Service Provider submits any annual Variation Notice pursuant to 3.4(b)(i);

- B. in relation to all other Cost Pass-Through Events (that is, Cost Pass-Through Events other than a Change in Tax Event, UAG Adjustment Event and Licence Fee Adjustment Event), either together with any annual Variation Notice pursuant to 3.4(b)(i) or at any other time within a Financial Year pursuant to clause 3.4(b)(ii),

(Cost Pass-Through Event Application).

- (ii) The Cost Pass-Through Event Application is to take the form of a written statement which specifies:
- A. the details of the Cost Pass-Through Event;
 - B. the date on which the Cost Pass-Through Event occurred;
 - C. the amount the Service Provider proposes to pass-through in relation to the Cost Pass-Through Event;
 - D. evidence:
 - (i) of the actual and likely increase or decrease in costs arising from the Cost Pass-Through Event;
 - (ii) that such costs occur solely as a consequence of the Cost Pass-Through Event; and
 - E. such other information as may be required under any relevant regulatory information notice.

- renumber clauses 3.4(e)(iii), (iv), (v) and (vi) to 3.4(f)(iii), (iv), (v) and (vi) respectively
- delete both references to ‘Administrative’ in the clause which is renumbered clause 3.4(f)(iv) and replace them with ‘administrative’
- delete ‘Administrative’ in the clause which is renumbered clause 3.4(f)(v) and replace it with ‘administrative’
- delete ‘(with’ in the clause which is renumbered clause 3.4(f)(iv)A and replace it with ‘(with’
- delete ‘clause 3.4(e)(iv)B’ in the clause which is renumbered clause 3.4(f)(iv)A and replace it with ‘clause 3.4(f)(iv)B’
- delete the following in the clause which is renumbered clause 3.4(f)(v):
 - ‘clause 3.4 (e) (iv) B’ and replace it with ‘clause 3.4(f)(iv)B’
 - ‘clause 3.4 (e) (iv) A’ and replace it with ‘clause 3.4(f)(iv)A’
- delete ‘cost pass through’ in the clause which is renumbered clause 3.4(f)(vi) and replace it with ‘Cost Pass-Through Event’
- renumber clause 3.4(f) to 3.4(g)

- delete ‘Year t’ in the heading for the clause which is renumbered clause 3.4(g) and replace it with ‘Year *t*’
- delete ‘Year t’ in the clause which is renumbered clause 3.4(g) and replace it with ‘Year *t*’
- delete all references to ‘Year t’ in clause 3.5A and replace them with ‘Year *t*’
- delete ‘Year t-1’ in clause 3.5A and replace it with ‘Year *t-1*’
- delete all references to ‘Year t-2’ in clause 3.5A and replace them with ‘Year *t-2*’
- delete all references to ‘quantity’ in clause 3.5A and replace them with ‘actual quantity’
- delete ‘Xt’ in clause 3.5A and replace it with ‘X_{*t*}’
- delete ‘having a material impact’ in clause 3.5C(a) and replace it with ‘meeting the administrative threshold’
- delete ‘high pressure pipeline extension’ in clause 7(a)(iii) and replace it with ‘new network section’
- include ‘(real)’ after each ‘per cent’ in schedule 2(g)
- update the table of contents.

Revision 2: amend schedule 3 of the access arrangement proposal drafted by the AER to:

- delete the heading for clause 7.4 and replace it with ‘**Gas Balancing under an industry scheme**’
- delete the following in clause 22.8(a):
 - the comma at the end of clause 22.8(a)(ii) and replace it with a full stop
 - ‘provided that the User has complied with the requirements of all applicable Laws and any relevant contracts and has used reasonable endeavours to recover the relevant charges in accordance with its rights at Law or under a relevant contract.’ at the end of clause 22.8(a)
- delete the following in annexure 1:
 - ‘Level 14, 1 O’Connell Street, Sydney, NSW 2000’ and replace it with ‘Level 20, 111 Pacific Highway, North Sydney, NSW 2060’
 - ‘+61 2 9270 4713’ and replace it with ‘+61 2 9455 1500’
 - ‘+62 2 9270 4673’ and replace it with ‘+61 2 9455 1501’

- delete ‘Alternate’ in the heading for annexure 4 and replace it with ‘Alternative’
- update the table of contents.

Revision 3: amend the access arrangement information drafted by the AER to:

- delete the heading for table 3.2 and replace it with ‘**Table 3-2: Average daily load small and large customers for the AA period and maximum daily quantity (MDQ) large customers (TJ) per year**’
- include the following footnote ‘a’ for the term ‘Large customers’ in the first column of table 3.2: ‘a: Large customers operate on average less than 365 days a year.’
- include the following clause 3.3:

3.3 Demand, consumption and customer numbers in the earlier AA period

Information about the demand, consumption and customer numbers in the earlier AA period can be found in Table 3-1, Table 3-2 and Table 3-3 in the revised access arrangement information.

- include the following clause 4.4:

4.4 Operating expenditure in the earlier AA period

Information about the operating expenditure in the earlier AA period can be found in Table 3-4 in the revised access arrangement information.

- include the following clause 6.6:

6.6 Capital expenditure in the earlier AA period

Information about the capital expenditure in the earlier AA period can be found in Table 3-5 in the revised access arrangement information.

- delete ‘389.7’ for the total revenue for 2010–11 in table 10.1 and replace it with ‘389.6’
- delete ‘annual’ in clause 12.1 and replace it with ‘annual real’
- include ‘adjusted for the value of X_t ’ at the end of the second sentence in clause 12.1
- update the table of contents.

Glossary

GJ	gigajoule (equal to 1 000 000 000 joules)
km	kilometre
NSW	New South Wales
PJ	petajoule (equal to 1000 terajoules)
TJ	terajoule (equal to 1000 gigajoules)