

9 August 2019

Mr Sebastian Roberts  
General Manager, Transmission and Gas  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

## **Jemena Gas Networks (NSW) - Access arrangement 2020-25**

Dear Mr Roberts,

Thank you for the opportunity to provide a submission in response to the proposed Access Arrangement from Jemena Gas Networks for 2020-2025.

Energy Networks Australia is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Energy Networks Australia supports the proposal of Jemena Gas Networks to seek to pro-actively recognise that the future economic lives of new gas network investments are likely to be less than past engineering-based estimates.

As Jemena has detailed in the regulatory proposal, seeking to address this through an adjustment to the economic asset lives of new investments is consistent with:

- the results of customer engagement on the issue both undertaken and subsequently retested to ensure it appropriate reflected the views of customers;
- taking prudent early action to minimise the total cost to current and future customers;
- recognising the potential lower future customer valuation of access to natural gas compared to current customers, and principles of intergenerational equity; and
- the National Gas Law Revenue and Pricing Principles, and guidance in the National Gas Rules on depreciation approaches

Energy Networks Australia published a Research Paper *Future Network Cost Recovery and Depreciation: Regulatory and policy options* (See [Attachment A](#)) in August 2015 which discusses a range of relevant issues for the AER's consideration of future regulatory depreciation allowances. This report outlines a range of customer benefits

from adoption of more flexible depreciation approaches, and a number of risks that may arise from not adjusting approaches to reflect changing market circumstances.

The ENA Research Paper in 2015 raised the opportunity that low regulatory rates of return represented to reduce future prices to consumers whilst lowering the potential future risks and costs of stranding. Since the release of the report regulatory return on equity estimates have fallen substantially, increasing the attractiveness of this option.

In addition, these issues were further discussed in the article “[Network depreciation and energy market disruption: Options to avoiding passing costs down the line](#)” in the December 2015 edition of *The Journal of Economic Analysis and Policy*.

If you would like to discuss any of these issues further please contact Garth Crawford, General Manager, Economic Regulation on 02 6272 1507 or [gcrawford@energynetworks.com.au](mailto:gcrawford@energynetworks.com.au)

Yours sincerely,



Andrew Dillon  
Chief Executive Officer