

10 February 2020

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

By email: JGNGAAR2020-25@aer.gov.au

Dear Mr Roberts

Draft decision on Jemena Gas Networks (NSW) Ltd (JGN) access arrangement 2020–25 proposal and JGN’s revised proposal

Thank you for the opportunity to provide comments on the AER’s draft decision on JGN’s access arrangement (AA) proposal for the 2020–25 AA period and JGN’s revised proposal.

Like the AER, we commend JGN on its extensive, high-quality consumer engagement approach. We consider effective engagement is particularly important in tackling difficult issues, such as the challenges gas distribution businesses face around future investment uncertainty as jurisdictional governments set net zero greenhouse gas emissions targets. Such engagement is useful in assessing consumer views on options for addressing the uncertainty surrounding the viability and practicality of using gas network assets for renewable gas.

Consistent with JGN’s consumer feedback, we support JGN’s proposal to reduce asset lives for several classes of new capital expenditure (capex) in response to this uncertainty. This measure will reduce the impact on customers over the long term if these long-lived assets were to become obsolete before the end of their useful technical lives.

We recognise that the AER must assess proposals against the requirements of the National Gas Rules, taking into account the National Gas Objective and Revenue and Pricing Principles, and that forecasts must represent the best forecast or estimate possible. The current challenge of future network investment uncertainty is unprecedented and therefore ‘best forecasts or estimates’ carry a similar level of uncertainty. Therefore, we consider it prudent for the AER to take a cautious approach by allowing the shortening of asset lives as proposed by JGN.

In the ACT, the government has legislated a target of net zero greenhouse gas emissions by 2045 and outlines in its Climate Change Strategy clear actions to transition households and businesses away from gas.¹ In response to this policy, we intend to adopt the same approach to shortening asset lives in our AA proposal due in June 2020 and consider this to be a relatively small step towards addressing the future uncertainty facing gas distribution businesses.

We support the AER’s draft decision to accept JGN’s proposal to introduce a capital expenditure sharing scheme and agree that such a scheme should exclude customer connections capex. We

¹ ACT Government, ACT Climate Change Strategy 2019–25
https://www.environment.act.gov.au/_data/assets/pdf_file/0003/1414641/ACT-Climate-Change-Strategy-2019-2025.pdf/_recache

intend to propose a similar scheme, and are currently considering what measures we can put in place to reduce the risk of reduced service standards.

If you wish to discuss Evoenergy's submission further, please contact Chris Bell on 02 6248 3132 or chris.bell@actewagl.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Fiona Wright', with a long horizontal stroke extending to the right.

Fiona Wright
Acting General Manager Evoenergy