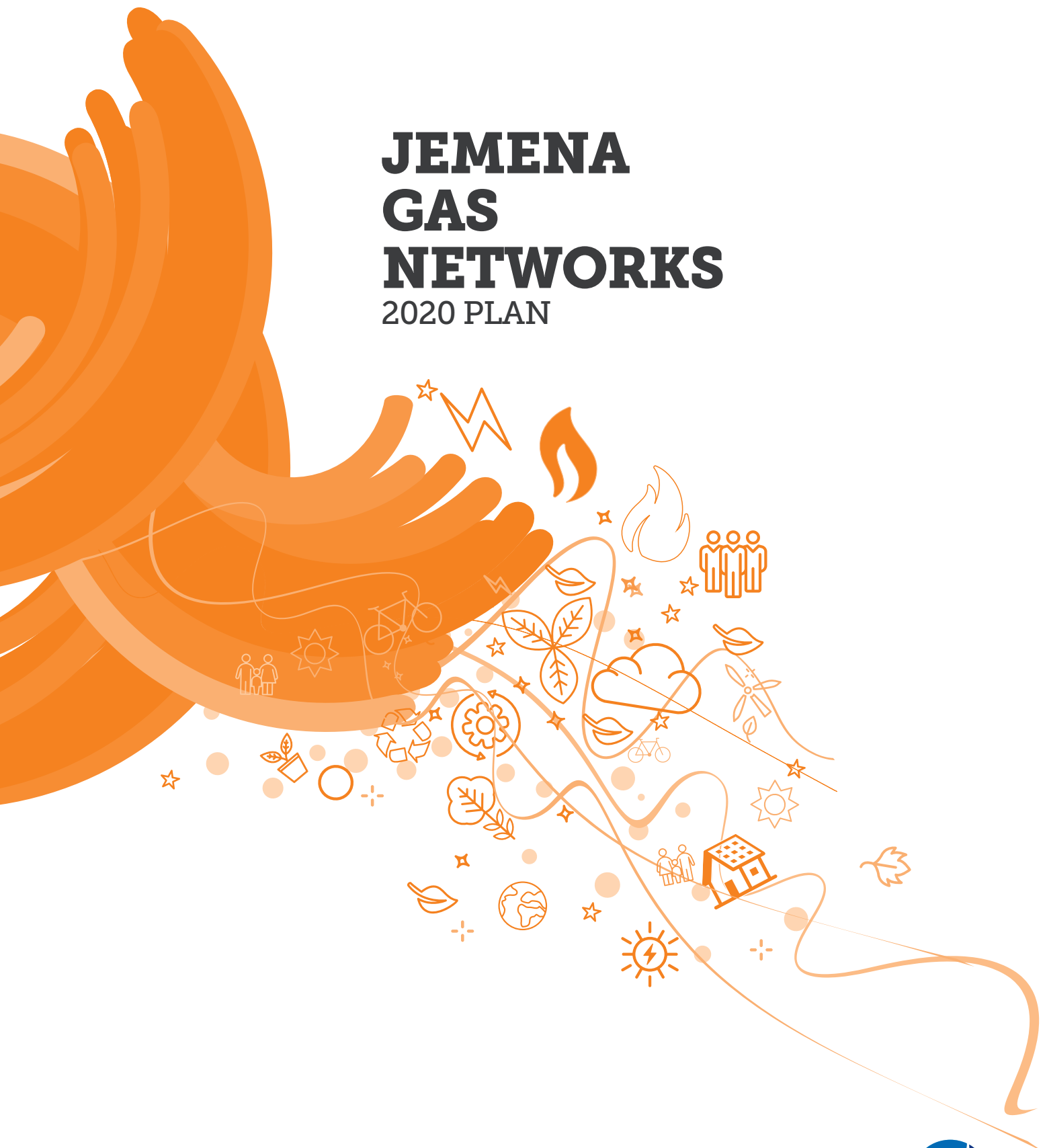



# JEMENA GAS NETWORKS 2020 PLAN





**"Jemena"  
is an Aboriginal  
word that means  
"to hear, to listen,  
and to think."**

**JEMENA GAS  
NETWORKS (NSW) LTD  
2020-25 ACCESS  
ARRANGEMENT REVIEW**

Monetary values are reported in the value of a dollar in 2020  
and exclude the impacts of inflation.

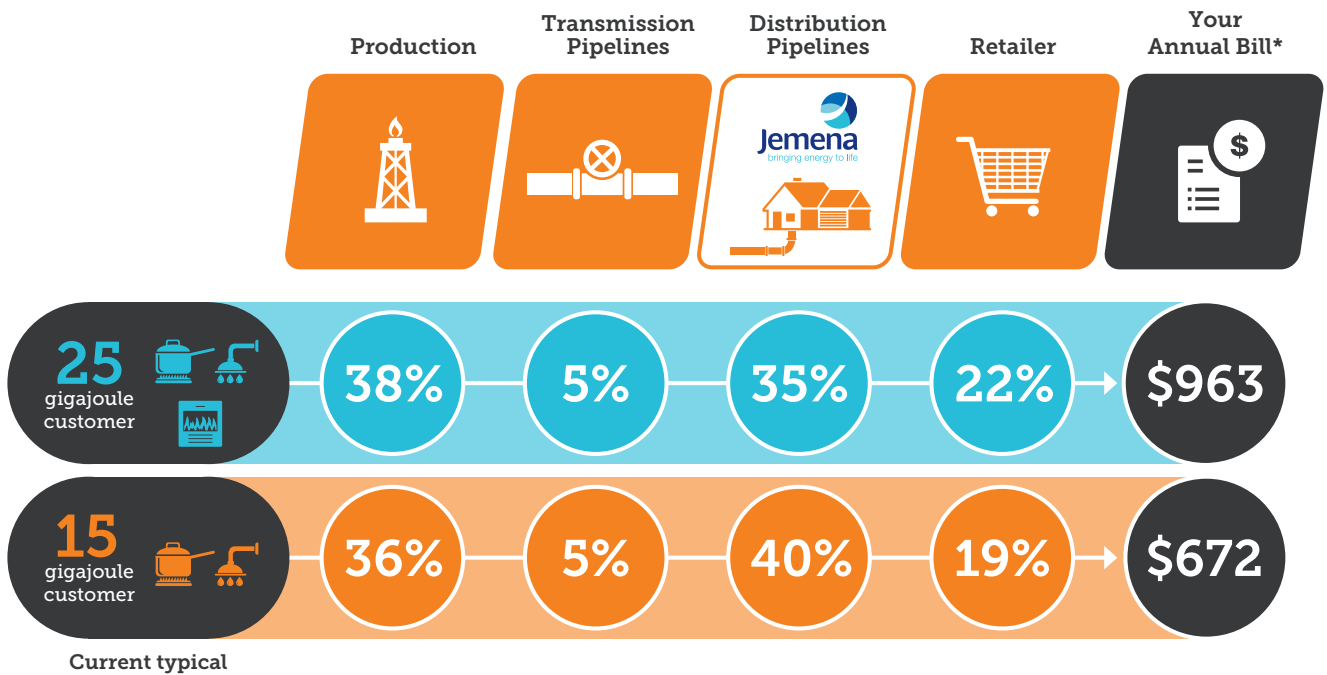
# Who is Jemena Gas Networks

Jemena Gas Networks is Australia’s largest and one of the fastest growing gas distribution networks.

We build and maintain the underground pipes and other equipment that deliver natural gas safely and reliably to you and almost 1.4 million other homes and businesses in NSW.

We are part of a broader energy supply chain that spans from gas production to retailing, and our charges make up around 40% of a typical residential customer’s gas bill (See Figure 1).

**Figure 1** Customers’ gas bills recover all costs of supply



Current typical

\* Annual bill is for 2018-19 year

In addition to transporting gas through our network, we also undertake a range of activities for our customers (see Figure 2).

**Figure 2** What we do for our customers



Like most energy distribution network businesses in Australia, the prices we charge are regulated. That means every 5 years we propose a price and services plan with the regulator (Australian Energy Regulator or AER) and the total revenue we require to deliver that plan. The regulator evaluates this proposal to ensure the prices we charge are reflective of our costs and that we are managing our business efficiently. Our next plan will set the services and prices for the period 1 July 2020 to 30 June 2025.

This document is a summary of our 2020 Plan. It includes an overview of what we have heard from our customers, how we have taken this feedback into account when developing the strategy for our network for the next 5 year period and what our 2020 Plan means for customers.



Customers who participated in engagement taking a well earned break

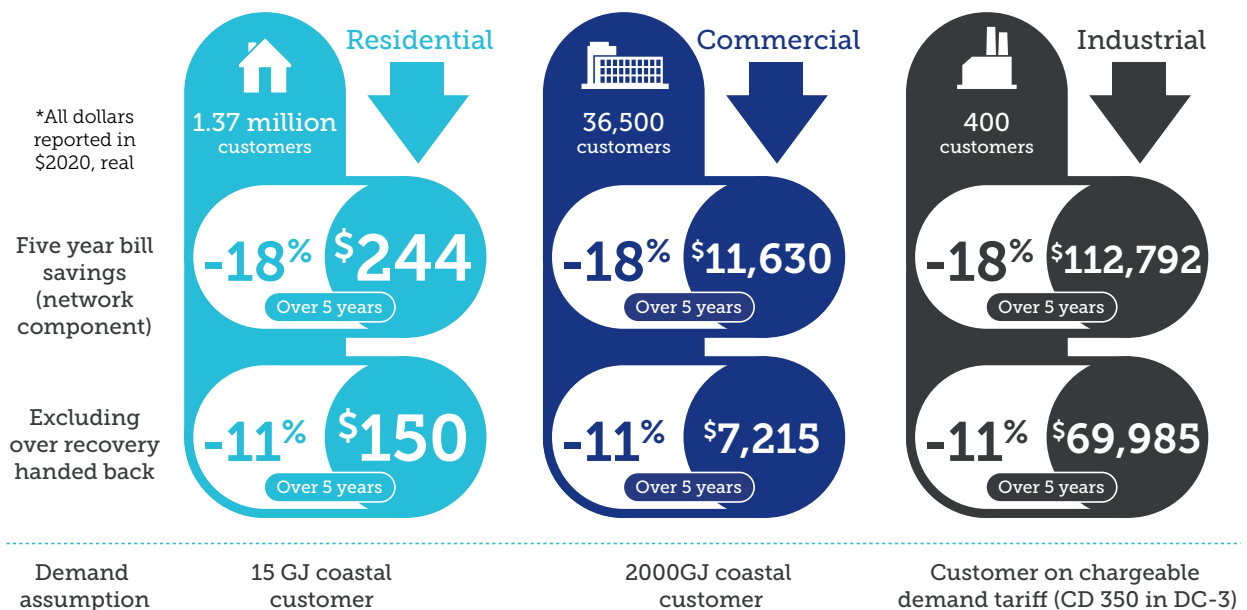
## What our 2020 Plan means for customers

If there was one key thing we heard from customers, it was that they want gas to remain affordable. Achieving this fairly and safely in the short and long term is the balance that we have sought to find in our proposed plan.

We are pleased to say that our 2020 Plan will result in bill decreases of 11% over the 2020-25 period, or \$150 for a typical residential customer (see Figure 3).

In addition, over the 2020-25 period we will return some of the revenue we received in the current period which will further lower bills. In total, over 5 years the network component of a typical residential customer bill will reduce by 18% or \$244.

**Figure 3** Network bill impacts of our 2020 Plan (excluding the impact of inflation)



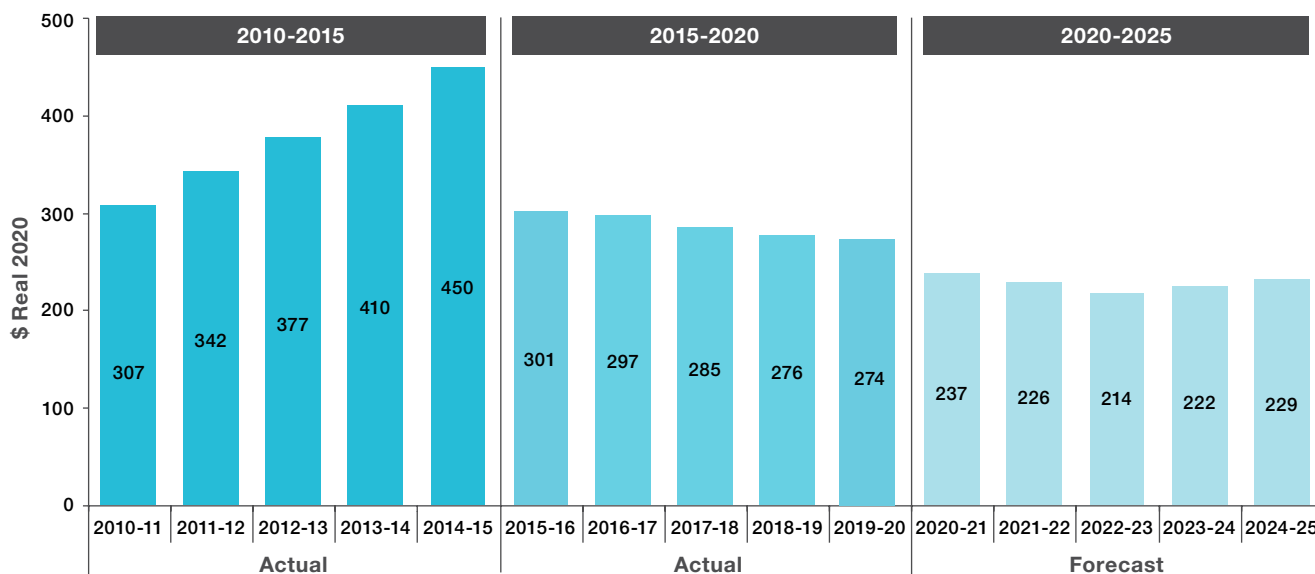
As a result of uncertainty following our last price review, which has only recently been resolved with the regulator, we were allowed to recover more revenue than we required in the current period. This is called over recovery. We will return this back to customers over 2020-25 which will lower our network charges.

To aid transparency, bill impacts are shown with and without the impacts of this “hand back” of revenue.

One of the key concerns our customers shared with us was the uncertainty and worry that fluctuations in the cost of services like gas can cause. Customers want us to consider how we recover our costs across the whole 5 year period, with the ultimate goal of achieving a smooth retail bill for customers.

Figure 4 shows a typical residential customer’s annual network bills under our proposal. This provides our best effort to contribute to smooth retail bills by mitigating forecast increases in wholesale gas prices, while handing back the over recovered revenue and minimising price impacts after 2025.

**Figure 4** A typical residential customer’s network bill (2010-11 to 2024-25)



## How we developed our proposed 2020 Plan

It was important that our customers’ views shaped our 2020 Plan. To ensure we heard our customers’ views we started talking to our customers close to two years ago. During that time, we have consulted with a range of customers—from residential all the way through to large industrial—to understand what they need from the gas network now, and in the future.

Our customers have provided their views and insights on what they want and value about their gas service,

and what they would like us to prioritise as we plan for the future. Our customers challenged us. They told us that they enjoy cooking and heating with natural gas, and that they are hopeful about the future. They want affordable zero-carbon gas to be available not only for themselves but the next generations. Our 2020 Plan will take the first steps towards achieving this.

We have used this feedback, which can be summarised into four key themes to help shape our plans.



**We have heard that affordability is a key issue for our customers and that network businesses have a key role in keeping prices down.**

Our 2020 Plan will deliver network price reductions by:

- connecting approximately 130,000 new customers to our network, which means we can spread our costs across a larger customer base;
- implementing a transformation program to reduce our operating cost base and challenging ourselves to deliver additional operating cost productivity improvements of 0.74% each year;
- implementing the AER's rate of return instrument;
- reducing the growth in our asset base, which will help to keep prices down over the longer term; and
- offering our large-industrial customers the opportunity to reset their charges if they have reduced their peak gas consumption over the last 5 years.

Our proposed price path also takes account of our customers' views that we should balance our prices across the 5 years to counter expected movements in other areas of the supply chain, with the goal of achieving a smooth retail bill.



**Our customers told us that they value and expect a safe and reliable gas service.**

This means that:

- we do not compromise on the safety of our customers, the public or our employees;
- gas is available when it is needed, and service disruptions are kept to a minimum;
- we minimise the time to respond to supply disruptions and to reconnect customers;
- new customers can connect to our network in a timely manner and within agreed timeframes; and
- we will engage with customers and communities to support and implement new investments, deliver innovative energy solutions and manage operations in line with their expectations.

Our proposed capital and operating expenditure programs will enable us to deliver on this commitment while also ensuring that our services remain cost-effective.



**Our customers want us to consider fairness in the context of:**

- our existing and future customers;
- the service levels that they receive; and
- the different needs of our diverse customers from across the state.

This means that we will:

- provide common minimum levels of service to all customers across NSW;
- retain our current approach to city/country pricing, so only customers benefiting from the Sydney trunk will pay for it; and
- take appropriate actions now to respond to uncertainty around the long-term future of the gas network, so that future customers are not unfairly impacted. This includes a proposal to speed up the recovery of our new investments.



**Our customers told us that they expect us, and other parts of the energy industry, to innovate and plan for the future so that they can continue to use gas in the longer term, as we move to a zero-carbon future.**

Our Power to Gas project, the Western Sydney Green Gas Trial, is one example of how we are innovating for a greener energy future. The trial, which is co-funded by Jemena and the Australian Renewable Energy Agency (ARENA), will convert solar and wind power into hydrogen gas, via electrolysis. The hydrogen gas will then be stored for use across our network.

Our costs for this trial are not included within our 2020 Plan—and we will not seek to recover hydrogen or future fuel innovation costs until the trial is successful and the technology is capable of being utilised within our network.

Although our customers expect us to do what we can to ensure that gas remains a sustainable fuel choice into the future, other stakeholders indicated that they did not support us proposing a separate innovation scheme at this time. We have therefore not proposed an innovation scheme as part of our 2020 Plan.



## How much it will cost

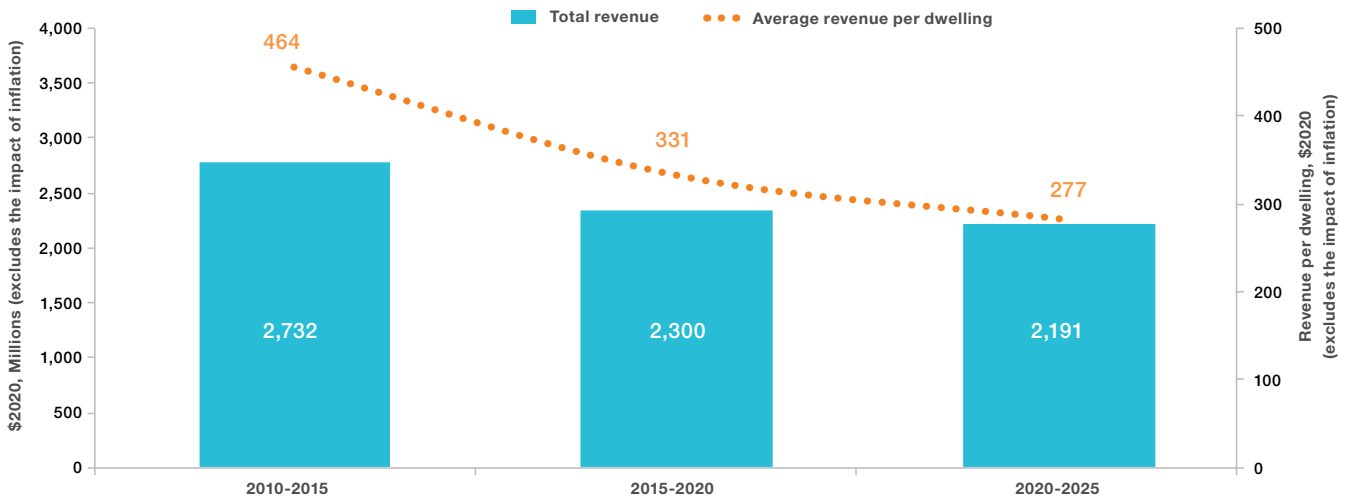
We recover the costs of providing our distribution network services from the customers who use them. We do this by charging for these services through our network prices.

Due to growth in customers connecting to our network and our actions to deliver sustainable cost reductions, the average revenue we require per customer to deliver our plan will fall when compared to the 2015-20 period.

This is good for our customers, as these reductions will be passed on through lower network prices.

To deliver our 2020 Plan, we are seeking \$2,191M in revenue over 2020-21 to 2024-25.

**Figure 5** Our revenue requirements over the 2010 to 2025 period



Customers in Western Sydney discuss our 2020 Plan

# What our 2020 Plan will deliver for our customers

Our 2020 Plan will ensure that we continue to provide our customers with the safe, reliable and affordable services they expect, and deliver the outcomes set out below.

Figure 6 What our 2020 Plan will deliver





