

Jemena Gas Networks 2020-25 Access Arrangement review

7 Aug 19

v1.1



Our key objectives for the 2020-25 review

- Let customers shape our plans
- Secure regulatory allowances to efficiently deliver what our customers value
- Position JGN for a sustainable future
- Proposal capable of acceptance



Jemena technician checking a customers' meter communication equipment



AER, ECA and Jemena staff at our Melbourne price review launch



AER staff interacting with consumers at our Bathurst forum

Regular meetings since early 2018 to brief AER staff and seek views

Sought customer group (and CCP) participation

Open invitation for AER (and CCP) to attend engagement activities

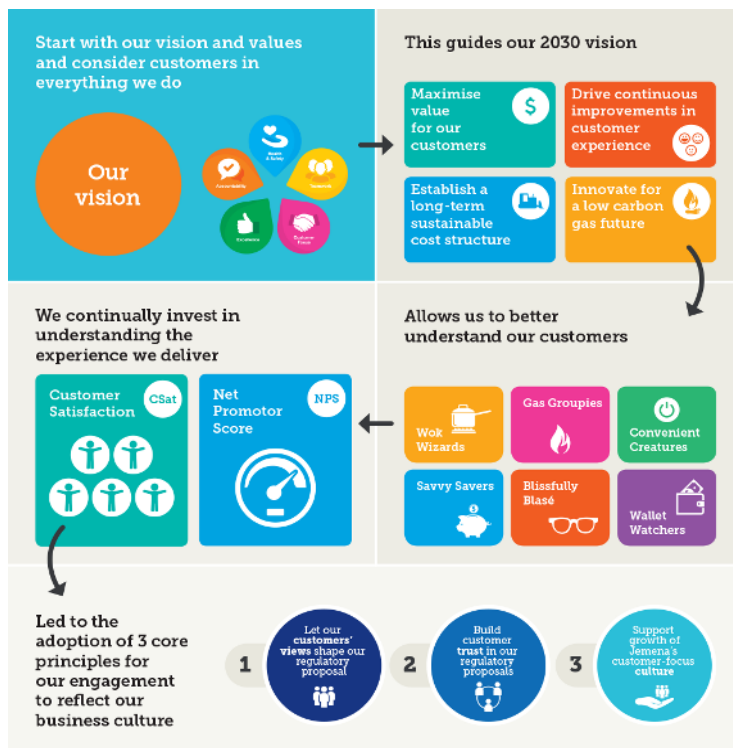
AER early review of models (and suggestions implemented prior to submission)

AER participation in workshops (CESS, secondary mains risk, and volume boundary metering)

Early, open and transparent engagement with the AER

Our engagement objectives and journey

Our customer story



A word from our customers





Customers told us



Affordability is a key issue



A **safe and reliable gas supply** is expected



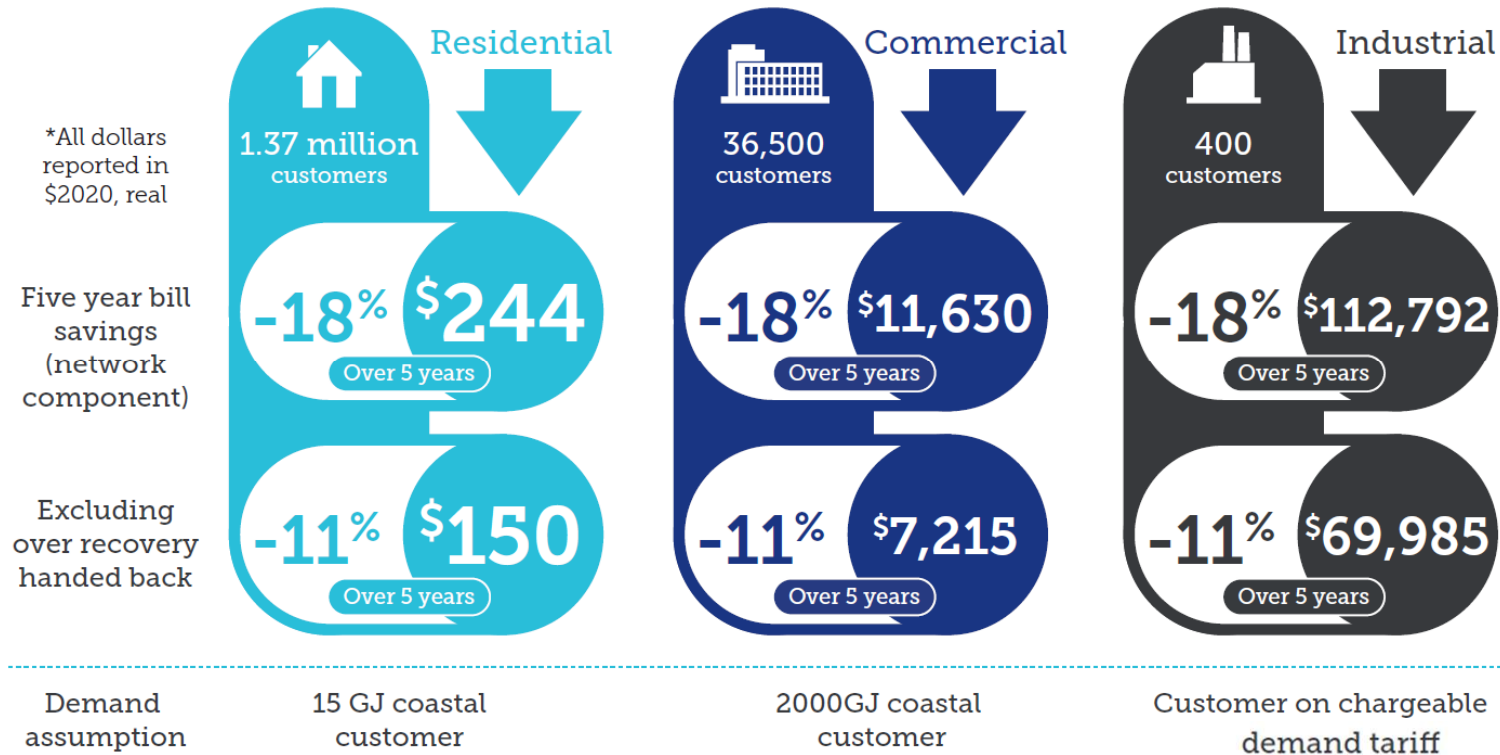
To consider **fairness**



To **innovate and plan for a zero-carbon future**

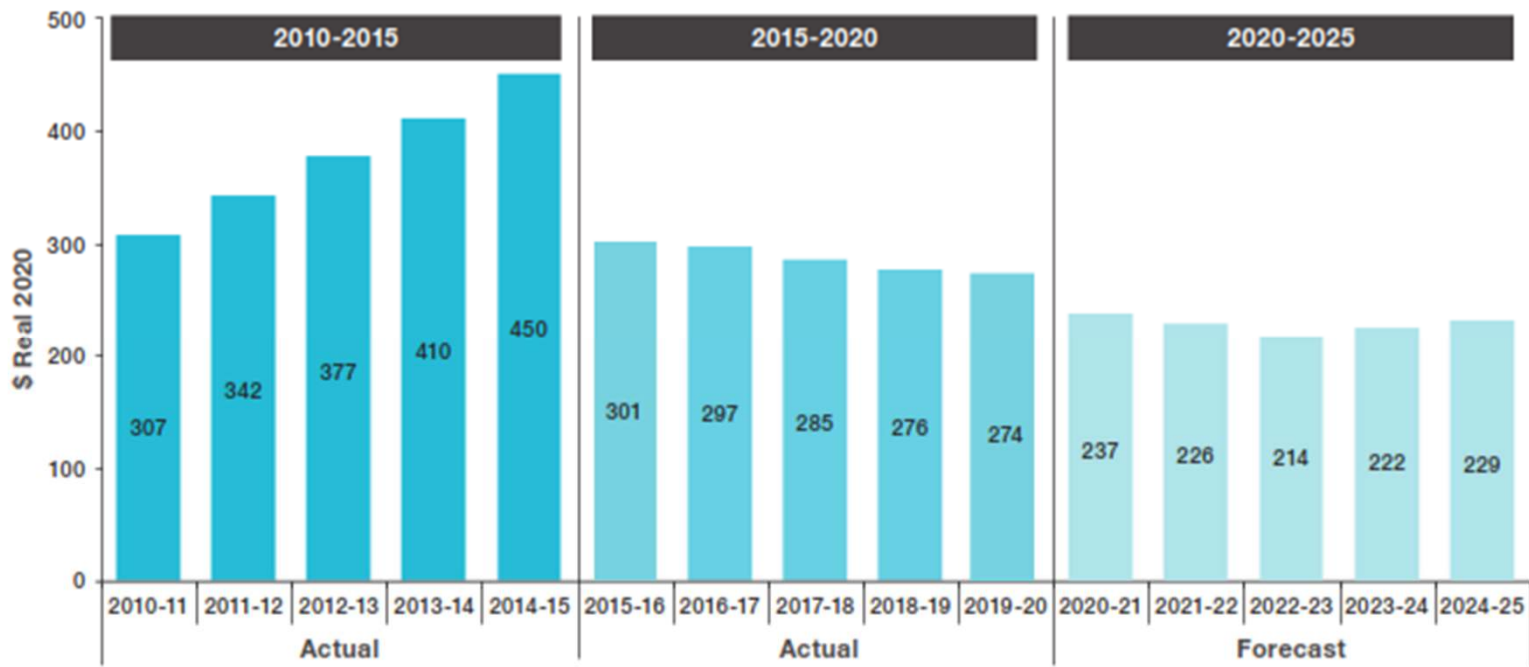
90% of customers agreed our plan is in their long term interests

What our 2020 Plan means for our customers



Typical residential customer's network bill (15GJ)

Our proposed price path reflects customer preferences for a smooth retail bill



Positioning JGN for a sustainable future

Issue

- NSW Govt target of net-zero carbon emissions by 2050
- Although we are innovating for a low carbon future success is not certain: cost and technological barriers remain.

Approach

- Engage consumers on how we recover costs and how we should invest

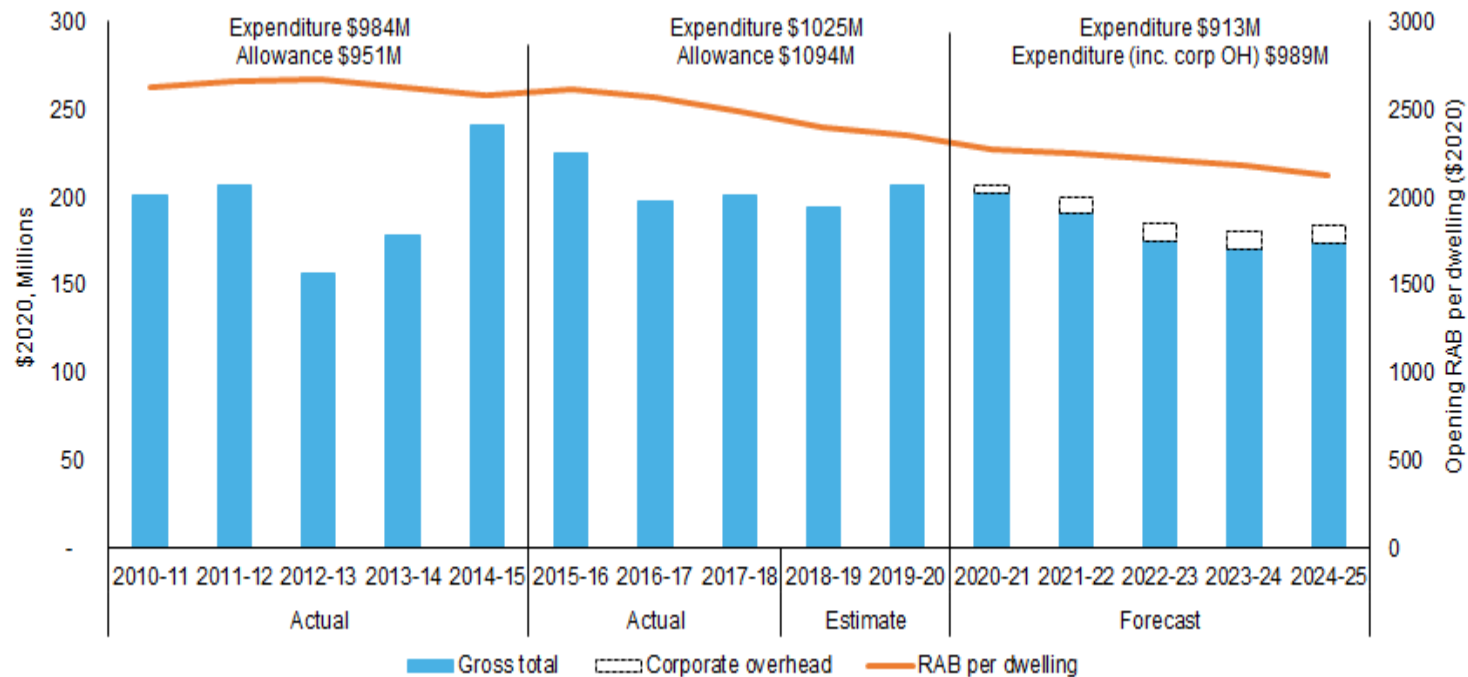
Proposal

- Shorten asset lives to better align utilisation and cost recovery (81% preferred)
- Shorten investment horizon for select programs (majority support – minority prefer we invest more)
- Invest in the Western Sydney Green Gas trial (speculative capex)




Capex

A lean capex program and declining RAB per customer



We will:

- Connect 130,00 new homes and businesses
- Maintain the safety and reliability
- Replace ~425,000 meters and 146km of old mains
- Lay the first mains to the Aerotropolis
- Streamline customer experiences



Using an intelligent pig to check our high-pressure mains for corrosion

Investing to improve affordability

Connecting new customers drives most of our capex program \$421M (51%).

Connections lower bills by spreading our largely fixed costs across more customers.

Our 2020-25 connections program will lower bills by **\$300M** over the period to 2050 (over \$200 per customer) – as the customer benefits of these connections outweigh the investment costs.

Investing to keep our network safe

We will continue investing \$96M to keep our ageing facilities and pipelines safe.

We will invest \$53M to manage the corrosion threat to the ageing Sydney Primary Main. A gas escape could have catastrophic consequences.

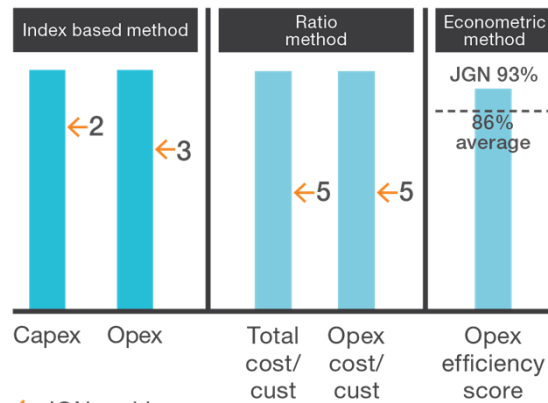
We have chosen the lowest cost solution to keep our network safe *and* sought external verification that risk reduction justifies the expenditure.

Laying new mains to support growth in Western Sydney

Opex

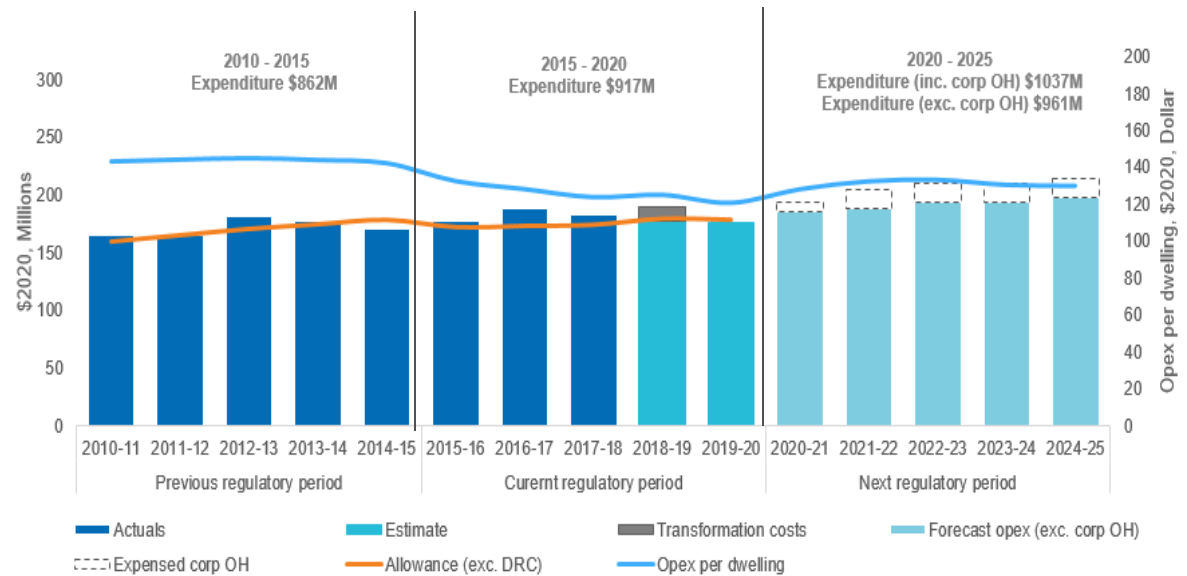
Our opex benchmarks well..

We have consistently benchmarked well according to the latest Economic Insights gas benchmarking study.



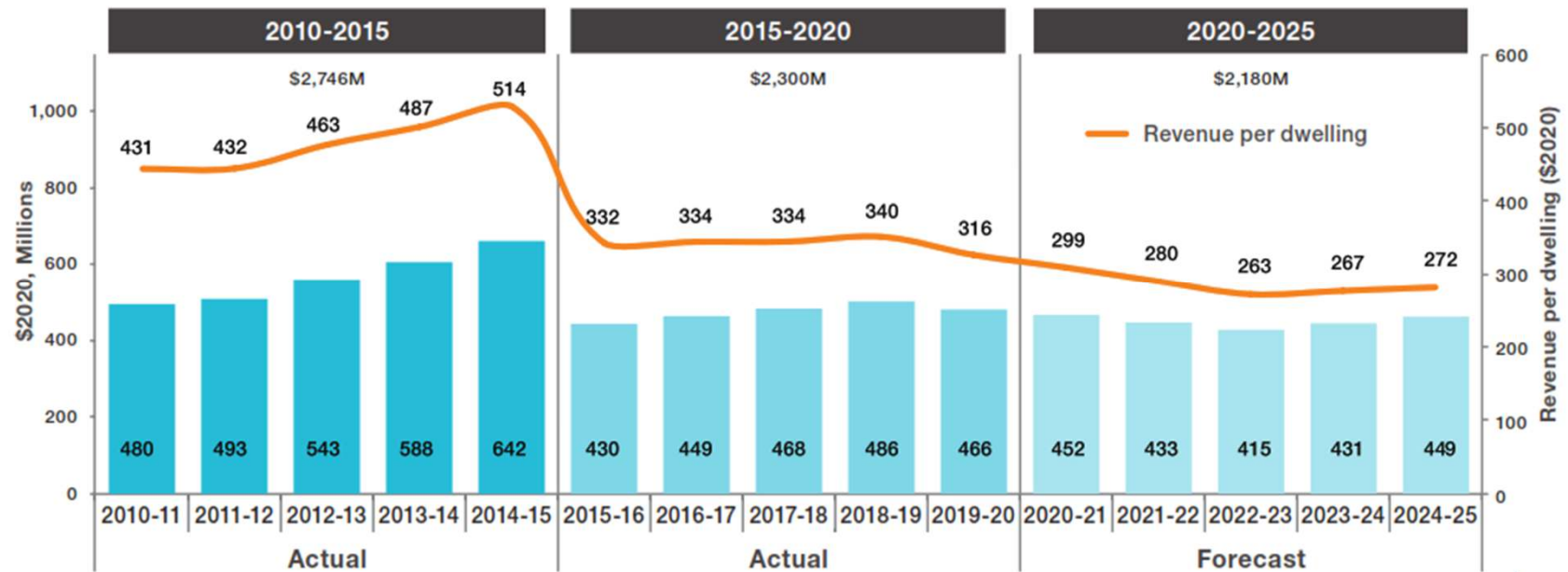
← JGN ranking

...allowing us to constrain costs despite large growth in our network



Our revenue requirement

We have limited revenue growth since 2016, despite servicing 350,000 new dwellings – an increase of 27%.



A balanced proposal supported by our customers



Affordable

- Delivering bill 18% reductions
- Lowering bills by connecting 130,000 new customers (spreading our fixed costs across more customers)
- Continue to operate and invest efficiently (as indicated by Economic Insight's benchmarks)
- Transforming our business to reduce our cost base
- Built in ongoing productivity improvements
- Implementing the AER's rate of return



Fair

- Speeding up the recovery of new investments (asset lives) so future customers are not unfairly affected (81% support)
- Investing with caution given uncertainty regarding future use of the network
 - › 53% support for augmentation
 - › 91% support for mains replacement
- Providing a common level of service to all customers



Safe and reliable

- Continue to respond to 85% of emergency jobs in 30 minutes
- Maintain 99.99% up-time
- Capex targeted at keeping our ageing assets safe
- Enhance the security of our IT assets



Preparing for a net-zero future

- Trial the injection of hydrogen into our network (co-funded with ARENA)
- Improving the cost competitiveness of gas by lowering bills and reducing RAB per customer



of customers agreed that our plan is in their long term interest