

24 April 2020



AER Ref: AC 45/20

Mr Sebastian Roberts  
General Manager  
Australian Energy Regulator  
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By email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

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Dear Sebastian,

**Submission on the AER's proposal to delay the final decision for Jemena Gas Networks (NSW) Ltd's 2020-25 Access Arrangement proposal**

Jemena Gas Networks (NSW) Ltd (**JGN**) welcomes the opportunity to provide this submission on the AER's proposal to delay the final decision for JGN's 2020-25 Access Arrangement proposal.

We support the AER's proposal to delay its final decision to late May so that it can use short-term forecasts of inflation from the Reserve Bank, expected to be published on 8 May 2020. The RBA governor Phillip Lowe in his speech on 21 April stated that the *May Statement on Monetary Policy* will look at possible scenarios of economic outlook and nature and speed of recovery from the impacts of Covid19:

*'Inevitably, the timing and pace of this recovery depend upon how long we need to restrict our economic activities, which in turn depends on how effectively we contain the virus.... Consistent with this, the Bank will discuss some possible scenarios in the Statement on Monetary Policy in a few weeks' time.'*

We agree that it is desirable to wait for the May inflation forecasts, as they are likely to be a more accurate reflection of the economic circumstances going into JGN's 2020-25 Access Arrangement period.

In our recent submission to the AER regarding the extremely low return on equity from short term market fluctuations, we noted that the AER's inflation approach used in its draft decision was delivering a significantly higher estimate compared to market based measures which resulted in an overall negative return on equity adjusted for revaluation.<sup>1</sup> While JGN understands that the AER intends to review its approach to inflation later in 2020, this will be after the 2020-25 Access Arrangement decision for JGN has been finalised.

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<sup>1</sup> JGN, Submission regarding extremely low return on equity from short term market fluctuations submission, 6 March 2020 (available on the AER's website).

Although the AER is not intending to change its approach to inflation in its final decision for JGN's 2020-25 Access Arrangement proposal, we consider that incorporating the May inflation forecast will go some way to providing a better and updated view of forecast inflation going into the 2020-25 period.

If you have any questions in relation to this submission, please contact [REDACTED] on [REDACTED]

Yours sincerely,

[REDACTED]

Usman Saadat,  
General Manager, Regulation

Cc: Slavko Jovanoski, Director | Networks