



Jemena Gas Networks (NSW) Ltd  
ABN 87 003 004 322

26 August 2011

Warwick Anderson  
General Manager  
Network Regulation Branch  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Level 20  
111 Pacific Highway  
North Sydney NSW 2060  
PO Box 1220  
North Sydney NSW 2059  
T +61 2 9455 1500  
F +61 2 9455 1589  
[www.jemena.com.au](http://www.jemena.com.au)

By Email: [warwick.anderson@aer.gov.au](mailto:warwick.anderson@aer.gov.au)

Copies:

John Bastick  
Email: [john.bastick@aer.gov.au](mailto:john.bastick@aer.gov.au)

John Skinner  
Email: [john.skinner@aer.gov.au](mailto:john.skinner@aer.gov.au)

Dear Warwick

### **Jemena Gas Networks (NSW) Ltd: Response to mine subsidence draft decision**

Jemena Gas Networks (NSW) Ltd (**JGN**) is pleased to respond to the Australian Energy Regulator's (**AER**) 16 August 2011 draft decision on mine subsidence expenditure (**draft decision**). JGN supports the draft decision and its reasoning. Specifically, JGN agrees with the conclusion in the draft decision that the expenditure which JGN incurs in connection with mine subsidence activities should be classified as capital expenditure instead of as operating expenditure.

#### **Draft decision modelling**

In its draft decision the AER at pages 11-12 said that:

The overall effect of the AER's draft decision on mine subsidence is [that] ... tariffs will change very slightly:

- For the haulage reference service, the X factor for years 3,4 and 5 remains at -8.33 per cent
- For the meter reference service, the X factor for years 3,4 and 5 changes from -0.71 per cent to -0.83 per cent.

JGN has modelled the draft decision outcome and this modelling indicates that the draft decision should give rise to slightly different X factors than those in the draft decision:

- For the haulage reference service, the X factor for years 3, 4 and 5 will change from -8.33 per cent to -8.39 per cent
- For the meter reference service the X factor for years 3, 4 and 5 changes from -0.71 per cent to -0.80 per cent.

JGN has separately provided the AER with its modelling and would be pleased to discuss any queries the AER may have in relation to this modelling. To the extent the AER does not agree with the modelling provided, JGN would appreciate the opportunity to meet with the AER to discuss any differences in approach prior to the AER finalising its decision.

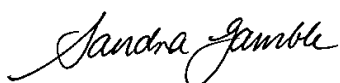
### **Correction of errors identified by AER in draft decision**

In its draft decision, the AER indicated that it had identified 3 separate errors in the access arrangement (**AA**) and access arrangement information (**AAI**).

JGN notes the errors the AER described in the draft decision. JGN considers that its modelling of the outcome of the draft decision addresses or otherwise supersedes those errors. The amendments that JGN considers are required as a consequence of the modelling that JGN has undertaken are marked up in the attached AA and AAI.

If you have any questions regarding this submission please contact me on (02) 9455 4512 or [sandra.gamble@jemen.com.au](mailto:sandra.gamble@jemen.com.au).

Yours sincerely



**Sandra Gamble**  
General Manager Regulation and Strategy

### **Attachments:**

1. Updated JGN AA
2. Updated JGN AAI