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Dear Mr Anderson,

*Warwick*

**Amadeus gas pipeline: access arrangement revision proposal 2016-21 – demand forecasts**

Jemena Limited (**Jemena**) welcomes the opportunity to make a submission on the access arrangement (**AA**) revision proposal for the Amadeus gas pipeline (**AGP**) submitted to the Australian Energy Regulator (**AER**) by APT Pipelines (NT) Limited (**APTNT**) on 4 August 2015 (**the proposal**). Jemena owns key gas network infrastructure across eastern Australia, including the Jemena Gas Network, the Queensland Gas Pipeline and the Eastern Gas Pipeline.

This submission relates to one element of the proposal – the demand forecasts. The demand forecasts are a key element of any AA proposal. The demand forecasts can influence the forecast of capital expenditure proposed by the network. For a network under a price cap form of control, the demand forecasts will also influence the reference tariffs during the access arrangement period. Generally, the lower the demand forecasts, the higher the approved reference tariffs and price path. In this context we note that:

- the National Gas Rules requires that forecasts in an access arrangement proposal reflect the best forecast possible in the circumstances (rule 74)
- the proposal seeks continuation of a price cap form of control for the AGP.

The proposal includes forecasts of average demand and maximum demand for each of 14 delivery points. The proposal indicates that the forecasts have been derived by developing a bottom up forecast for each delivery point, with the combined forecasts checked against available demand information from the main shipper. The proposal states that the overall forecast growth rate is in line with that observed over the 2011-16 AA period.

As noted in the proposal, one potential area for change for the AGP during the next AA period is the possible connection to the south-eastern gas market through the North East Gas Interconnector (**NEGI**). A map is provided below for reference. NEGI will unlock potential for east coast gas users to enter a transportation agreement for firm services (the AGP reference service proposed) to transport gas to Moomba or Mt Isa using the AGP, which would significantly increase demand on the AGP. We understand that the Northern Territory Government is on-track to finalise the NEGI competitive process by end-2015, and gas is forecast to commence flowing from 2018.

We have not been able to identify whether or how this potential for additional demand has been dealt with in the proposed demand forecast.

To ensure end-customer gas bills remain as low as possible, the AER should carefully consider this issue as part of its draft and final decisions for the AGP, noting the timeframe for the NEGI competitive process and NEGI commissioning. The AER should consider accounting for this additional demand in the demand forecasts, or alternatively consider other regulatory mechanisms such as pass through provisions, the form of control, or the length of the access arrangement period.

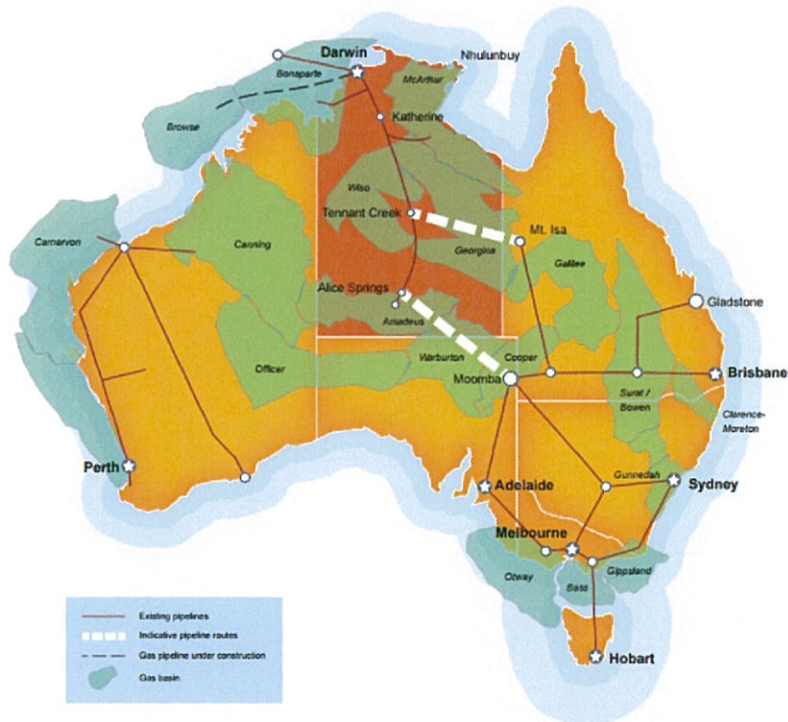
If you have any questions regarding our submission, please contact Alex McPherson, Manager Asset Regulation and Strategy on 02 9867 7229 or [alex.mcpherson@jemena.com.au](mailto:alex.mcpherson@jemena.com.au).

Yours sincerely

*for* 

Robert McMillan  
General Manager Regulation  
Jemena Limited

Map of the proposed NEGI pipeline in relation to the Amadeus gas pipeline



Source: The Australian Pipeline, *Revision lodged for Amadeus Gas Pipeline access*, 10 August 2015.  
[http://pipeliner.com.au/news/revision\\_lodged\\_for\\_amadeus\\_gas\\_pipeline\\_access/98152](http://pipeliner.com.au/news/revision_lodged_for_amadeus_gas_pipeline_access/98152)