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Mr Mike Buckley
General Manager, Network North Branch, AER
23 Marcus Clarke Street
CANBERRA ACT 2601

Request to consolidate JGN's access arrangements and request to extend submission date

Dear Mr Buckley,

Thank you for your letter dated 11 May 2009. Jemena Gas Networks (JGN) understands from this letter that the Australian Energy Regulator (AER) is considering including certain terms in its decision on JGN's 16 April request for consolidation of JGN's four Covered Pipelines for access arrangement (AA) purposes. JGN also understand that you seek information on pricing impacts associated with JGN's foreshadowed move to single-hub pricing and how this move may be affected by the AER's proposed terms.

JGN welcomes this opportunity to comment on the proposed terms of an AER AA consolidation direction. Confidential attachment 1 contains further detail on pricing outcomes consistent with this stage of JGN's AA revision preparation.

General comment on terms of the consolidation direction

The AER notes that the terms it is considering 'mirror in part, conditions set by the Independent Pricing and Regulatory Tribunal (IPART)' for JGN's current AA. While this may be the case, it is important to note that the underlying considerations in which IPART made those terms no longer apply.

IPART required JGN to maintain asset base reporting for its two trunk pipelines separate from its distribution network asset base. This reflected the fact that IPART was regulating these trunks under a derogation that had a finite life. Absent this derogation the trunk pipelines would have been regulated by a different regulator. This condition no longer holds as both gas transmission and distribution pipelines are regulated by the AER under the new National Gas Rules (NGR).

As noted above, JGN appreciates the opportunity to comment on the consolidation terms set out in the AER's 11 May letter. Consistent with NGR rule 53, JGN requests that if the AER considers any further terms for inclusion in a consolidation direction, the AER consults with JGN on these additional terms.

Specific terms of the consolidation direction

JGN agrees that it is helpful for the terms of the consolidation direction to specify the period of the direction and how the parties may seek to revise or revoke the direction. JGN considers that the direction should apply on an ongoing basis unless either party initiates a review. JGN therefore suggests the following wording:

Consolidation of the four access arrangements will apply until either the AER or the Service Provider initiates a review of this consolidation direction and the AER has made either a decision to revoke the consolidation direction or to establish a new consolidation direction. The AER will consult with the Service Provider on any review of the consolidation direction.

In regard to information requirements, JGN reiterates the above comments that the circumstances in which IPART imposed information requirements no longer hold. On this basis JGN does not consider it necessary to continue to report separate asset bases.

Notwithstanding this view, JGN is able to continue providing asset base data in the form required by IPART. This format required JGN to maintain a 'separate capital base for the Wilton to Newcastle and Wilton to Wollongong transmission pipelines and the distribution system as well as for the entire NSW network'¹. JGN was not required to maintain separate reporting of operating costs for these assets.

If you have any questions regarding this submission please contact me on (02) 9270 4512 or sandra.gamble@jemena.com.au

Yours Sincerely,



Sandra Gamble
Group Manager Regulatory
Jemena Limited

¹ Letter from IPART to AGL Gas Networks dated 26 November 2004.