

15 August 2014

Sebastian Roberts  
General Manager  
Australian Energy Regulator  
Email: Jemena2014GAAR@aer.gov.au

Dear Mr Roberts,

### **2014 Jemena Gas Access Arrangement Review**

I refer to Jemena's proposal (**Proposal**) for a revision to its gas access arrangement (**AA**) for its NSW distribution network for 2015-2020.

Orica understands and supports the need for Jemena to adequately invest and maintain the NSW gas networks to deliver gas to residential and industrial customers reliably and safely. However, the Proposal is substantially lacking in detail. We have the following specific comments on the Proposal and would seek further information from Jemena directly or indirectly through the Australian Energy Regulator (AER).

- a) Why is there a 13% increase for industrial customers? This is not clear from the Proposal. We refer to Section 6 – Capital Expenditure of the Proposal. The capex is forecasted to be "greater than 20% in real terms than estimated capex for the current AA", however, the capex plan appears to be largely focused on market expansion which accounts for 39% of the forecast capex for 2015-20, and reinforcement renewal and replacement where "a significant population of residential gas meters is approaching the end of its economic life and must be replaced", which accounts for 46%. It is not evident how a higher capex plan on residential and market expansion translates to a material increase for industrial customers.
- b) Why there is a 20% reduction for residential and 11% for commercial. It appears that industrial is intended to subsidise residential and commercial. If that is the case, what is the basis for that approach? If that is not the case what is the justification for the reductions in light of the increased capital expenditure referred to above?
- c) In general, there is insufficient detail on the capex plan of the Proposal for us to assess whether or not the capex plan is appropriately sized and targeted to maintain the current service level as indicated in the Proposal.
- d) Why has the chargeable demand structure changed? Why has an extra level of higher rate been introduced? There is insufficient explanation here.

We would also like to comment on Jemena's customer engagement as part of this Proposal. Jemena's engagement with Orica is detailed as follows.

- a) 23 December 2013, 2pm - 1 hour teleconference with Philip Glasscock & Scott Martin from Jemena. Grant Rodgers was the only Orica representative able to attend as meeting was scheduled during the Christmas break and the invitation was on short notice.
- b) 15 April 2014 - 10.30am to 12pm - site meeting with Jemena personnel referred to above at Orica site in Kooragang Island with Scott Reid, Peter McGrath & Ajay Joshi - discussion dominated by first response tariff opportunity.
- c) All other invitations to engage were email and survey invitations from Jemena which allowed for limited ability to comment on the Proposal.

As you can see from the above, Orica was not appropriately consulted on the Proposal and was genuinely surprised to see the Proposal when it was first made public. We have also raised this with the AER Consumer Challenge Panel on a teleconference on 8 August 2014.

We would be pleased to speak to the AER to follow up on the matters raised in this letter.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Grant Rodgers", with a long horizontal line extending to the right.

**Grant Rodgers**  
**Orica Australia Pty Ltd**