

## **Jemena Gas Networks (NSW) - Access arrangement 2015-20**

### **Stakeholder Submission:**

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### **Attention:**

Sebastian Roberts, General Manager  
2014 Jemena Gas Access Arrangement Review  
Australian Energy Regulator

In its current submission to the AER, Jemena, NSW, has proposed an increase in its fee for the abolition of a gas service (removal of gas meter).

- 1. My submission is simple: I maintain that the current fee being charged by Jemena, NSW, is exorbitant, not justified by the work involved, and should be reduced, not increased.**

The current fee being charged by Jemena, NSW, is already substantially out of line with the fees being charged by other energy distributors to perform exactly the same service. To be specific, current fees are (all costs are for June, 2014, and inclusive of GST) :

a. Jemena (Residential), NSW	\$1009.50
b. Jemena (Commercial), NSW	\$2161.60
c. Jemena Asset Management, Victoria,	\$62.55
d. APA Group	\$103.40
e. APA South Australia	\$72.60
f. AGL ACT	\$147.21

It is noteworthy that:

- g. The fees being charged by all distributors except Jemena, NSW, are broadly similar and
- h. Similar to the cost of work quoted for the work by a tradesman.
- i. Jemena, NSW, fees are already an order of magnitude higher than those being charged by other distributors. To put this in a different context, the fee being charged by Jemena, NSW, for a meter removal is more than four times the annual charge being billed by Energy Australia for supplying a gas connection to a customer.
- j. Even within the Jemena organisation, the fees being charged in NSW are much higher than in Victoria.

With 1.3 million customers in NSW, if the annual rate of disconnections was only 0.085% (or 1 in 1200), then the difference between what Jemena, NSW, currently charges and the average of the fees the other distributors charge would represent a windfall income of \$1m/yr for Jemena, NSW.

My enquiries, thus far, to the ACCC, The Energy and Water Ombudsman, The Australian Energy Markets Commission, The NSW Department for Resources and Energy, and the Minister of the

Department, all confirm that, while they all have varying degrees of interest in outcome of this matter, the prime authority for action on this matter rests with the AER.

My prior contacts with AER officials have indicated that this submission, at this time, to this Jemena, NSW, Proposal, would be the appropriate means to initiate action.

The background to this submission is as follows:

2. After recently purchasing an apartment, my daughter decided to renovate it. For reasons of economics and utility, she no longer wanted gas to be connected to the apartment. For reasons of health and safety, and conservation, this required the removal of a gas meter, situated in a cupboard in her apartment, and the capping of the gas supply upstream of the gas meter near the apartment boundary.
3. The proposed modification, the disconnection of the meter and capping off the supply, was costed at \$82.50 (including GST) by the renovator's plumber, but raised the question of what to do with the gas meter.
4. The question was put to Energy Australia, the utility provider, and their response was that:
  - a. The renovator could do the disconnection
  - b. Only Jemena, NSW, could do the job.
  - c. A request had to be made to Energy Australia to obtain an application form, by mail, which then had to be completed and mailed back to Energy Australia, and then Energy Australia would arrange for Jemena, NSW to perform the work. A preferred date for the work could be nominated, but in the end the exact date the work would be done would be determined by Jemena, NSW.
  - d. There was a set fee for the work
5. On receiving the application form (attached at the end of this document) the fees being charged for this specific work by the various network distributors were shown on the document as being (all costs are for June, 2014, and inclusive of GST) :

a. Jemena (Residential), NSW	\$1009.50
b. Jemena (Commercial), NSW	\$2161.60
c. Jemena Asset Management, Victoria,	\$62.55
d. APA Group	\$103.40
e. APA South Australia	\$72.60
f. AGL ACT	\$147.21
6. It was noteworthy that:
  - a. The fees being charged by all distributors except Jemena, NSW, were broadly similar and
  - b. Similar to the cost of work initially quoted for the work by a tradesman.
  - c. Jemena, NSW, fees were an order of magnitude higher than those being charged by other distributors. To put this in a different context, the fee being charged by Jemena, NSW, for a meter removal is more than four times the annual charge being billed by Energy Australia for supplying a gas connection to a customer.

- d. Within the Jemena organisation, the fees being charged in NSW are much higher than in Victoria.
  - e. Although the form asks the applicant to differentiate between “gas meter removal” and “gas meter and service pipe disconnection,” there is no differentiation in fees being charged.
7. An enquiry (by phone) to Energy Australia regarding the magnitude of the fee being charged by Jemena, NSW, relative to other distributors, did not lead to anything. The Energy Australia response being; “This is a Jemena, NSW fee, and nothing to do with us.”
8. Telephone contacts with APA South Australia and AGL ACT confirmed the fees for the particular work in question were as tabled by Energy Australia.
9. An enquiry to Jemena, NSW (by phone) was also without result. After initially trying to redirect me back to Energy Australia, the only comment Jemena, NSW, gave was that the fee had been approved by the AER, and no further discussion would be entered into.
10. An enquiry (by phone) to The NSW Dept. of Fair Trading followed. Their advice was to pursue the matter through the NSW Energy and Water Ombudsman, or possibly the ACCC.
11. An enquiry (by phone) to the ACCC got the response that they may well be interested in this in the future, if issues of predatory pricing arising from a monopoly situation were emerging as a possibility, but at this stage would be better off contacting the AER.
12. The NSW Energy and Water Ombudsman’s response (by phone) was that:
  - a. I was not the first to ask this, but
  - b. This was a matter that was not within their control, but rested with the AER, who operated within rules set by The Australian Energy Markets Commission.
  - c. Since there were broader issues involved, leading to the possible disadvantage of NSW energy consumers, contact with the NSW Department for Resources and Energy may also be appropriate.
13. I have had email exchanges with The Australian Energy Markets Commission (Trevor Johnston, [Trevor.Johnston@aemc.gov.au](mailto:Trevor.Johnston@aemc.gov.au)). The initial response was again highlighted that this element was within the AER sphere to investigate. In a follow-up enquiry I noted, amongst other things, that the “rules” set by the AEMC were quite comprehensive in most areas, but there was a weakness in regard to specifying that the fees that are being charged (particularly on termination of service) must be in proportion to the cost of the service being performed. Here, while most distributors have appeared to act in good faith, Jemena, NSW, may have used this weakness to their commercial advantage. In their last email to me, AEMC have said they will investigate these matters further.
14. I have had email exchanges with AER (Kevin Fincham, [kevin.fincham@aer.gov.au](mailto:kevin.fincham@aer.gov.au)), and this official did broach the subject with Jemena, NSW. The outcome of this discussion was:

- a. Jemena, NSW, did not address the question of why their fee for meter removal was so high.
- b. Jemena, NSW, attempted to deflect the enquiry by saying other, lower-cost, options were available where the meter was not disconnected.
- c. Jemena, NSW, attempted to shift blame to Energy Australia for not revealing these lower-cost options on the same document as the meter-removal options. (A subsequent call to Energy Australia revealed that the non-meter-removal options, which were of no interest to me, were listed on a different form, and that Jemena, NSW, were aware of that.)
- d. The question of why the lower-cost options offered by Jemena, NSW, were still substantially higher than the fees charged for meter-removal options by the other distributors was not raised.
- e. The AER official suggested that it would be appropriate for me to make this submission, as a means of possibly reviewing the breadth of the "meter-removal" classification and the labour costs involved.

In my last email response, on 24/7/14, I summarised my dissatisfaction with the outcome thus far, which I reproduce (in part), below

.....I find the explanation given by Jemena, NSW, unconvincing, to say the least. One immediately apparent inconsistency in their argument is the fact that (as shown in the document I sent to you) Jemena, NSW, charge much more for exactly the same service as Jemena, Victoria. Surely, Jemena, NSW, cannot have a different definition for the scope of work to be done under the same heading that would be so different as to justify a fee in NSW that is 16 times ( $917.73/56.86$ ) higher than in Victoria?

The attempt to deflect the question back to EnergyAustralia, via "alternative options" is irrelevant. Let us focus on the actual work involved for the fee being charged, and what others charge for the same work. The difference in work between a permanent disconnection, and a disconnection with meter removal, is about 10 minutes work. And, the initial quote my daughter was given by a qualified gasfitter for the meter removal was \$75 (before she was informed that the work MUST be done by a Jemena, or one of their sub-contractors as it turned out to be), a cost which seems to be remarkably in line with what every other distributor except Jemena, NSW, is charging for the work.

Hence, while the fee being charged is consistent with what has been approved by AER, the real question still remains whether AER did the appropriate due diligence in ensuring the fee is reasonable w.r.t. the actual work being performed when that approval was first given. (*Benchmarking against other distributors would be a logical first step in this process.*) I see no evidence of that anywhere, and assume that once the initial approval was given, all that has taken place since then was a CPI, or similar, inflation of the original number by Jemena, NSW, which was just approved without any further analysis.

The inadvertent "benchmarking" as shown by the EnergyAustralia document is evidence that Jemena, NSW is charging fees that are completely out of step with other distributors, and has found a convenient loophole to exploit its monopoly situation to

the maximum, with AER approval, in contrast to all other distributors who have all chosen to act in good faith and charge a fee that is appropriate to the service provided.

I think it would be within the charter, and interest, or your organisation to investigate this discrepancy between Jemena, NSW, and others, in a bit more detail...if there were 1100 disconnections such as this in a year (*out of about 1.3 million customers, so 0.085% of the customer base*), then that would be \$1m profit for Jemena, NSW for doing nothing.

15. I have had email exchanges with the NSW Department for Resources and Energy (Cecilia Falson, [Cecilia.Falson@minister.nsw.gov.au](mailto:Cecilia.Falson@minister.nsw.gov.au)), and the responsible Minister. In his letter responding to my query, Minister Kevin Andrews noted that:

- a. The fees in question were a matter for which AER has responsibility.
- b. Jemena, NSW, had informed him that there were other, lower-cost, options available. (Here, once again, Jemena, NSW, attempted to deflect the question posed to them).
- c. Jemena, NSW, had said that the meter-removal option also entailed removal of pipework (which is not the case)

In my response to the letter I pointed out that I was disappointed that my original question was not answered, that he may have been poorly advised as regards the scope of work that is involved, and that this cost places NSW consumers at a substantial disadvantage in their energy choices, compared to customers linked to anyone else except Jemena, NSW.

I have also informed the Department (by phone) that I will be making this submission and, since they have indicated an interest in the outcome, I said I would keep them informed.

16. In the meantime, the disconnection and meter-removal did take place on 14/7, a date not of our choice, but the only alternative available prior to our nominated date of 26/7 (Hence, microwave dinners from 14/7 until 26/7). To be specific, the tasks performed were:

- a. A valve upstream of the meter was turned off.
- b. A pipe fitting upstream of the meter was unscrewed.
- c. A pipe fitting downstream of the meter was unscrewed
- d. The pipe upstream of the meter was capped and tagged
- e. Two electrical connections leading to an off-site meter-reading station were cut
- f. The meter was removed.

The on-site work took less than 15 minutes. The total time (including travel) that it took the sub-contractor was less than one hour (and this had to be negotiated on the day, because at one stage the contractor was saying he was “too busy” to do it that day, and the job may need to be deferred to a later date, sometime after 26/7). For this effort we duly received a bill for \$1009.50. .... And there was no bottle of Grange left on the doorstep as partial compensation for this extraordinary fee, not even a “Thank You” note.

Notes regarding confidentiality:

1. You will note that the attached Energy Australia form has been blacked out. The officials of the AER, AEMC, and the NSW Department for Resources and Energy, whose emails appear in this document, all have the unedited versions of this form.
2. I have retained all email correspondence I have had with officials of the AER, AEMC, and the NSW Department for Resources and Energy, and the letter from Minister Kevin Andrews. I do not think it is appropriate to publish them here, but I would have no objections to the AER obtaining this correspondence from these officials, and I would have no objections to forwarding these emails to AER, if AER clears this with the relevant officials beforehand.



EnergyAustralia

### Gas Abolishment Form

EnergyAustralia Gas New Connections  
PO Box 444, Bundoora MDC 3082  
Ph: 1800818378 - Fax: 1800654295  
gasnewconnections@energyaustralia.com.au



EnergyAustralia

**\*\*Please ensure the form is completed in full. Receipt of an incomplete form will not be processed, causing delays to your request.**

Purpose of abolishment:  Renovation or  Demolition If demolition, please select gas meter & service pipe disconnection below

Request for removal of Gas Meter Only

Request for removal of Gas Meter and Service Pipe Disconnection

Date Property will be Vacant: 25 1 06 12014

Preferred date of abolishment must be on or after Property Vacant Date

Preferred Date of Abolishment: 26 1 06 12014 (Not Guaranteed)

If contact is required for access to meter please tick  contact name & phone no

Peter 0405 707142

Site Details: (Address of Abolishment)

Unit No: 41 St No: 832 St Name: Anzac Parade [also known as 117 Boyce Rd]

Suburb/Town: Maroubra

Post Code: 2035

Gas Meter No: ER 007620 (e.g. 1234AB)

Billing Details of Owner/ Applicant:

Applicant Name: [Redacted] Date of Birth: [Redacted] Drivers Lic No: [Redacted]

Mailing Address: 41/117 Boyce Road, Maroubra

Phone: [Redacted] Mobile: [Redacted] ABN: N/A

**Owner / Applicant declaration for request of Gas Abolishment:**

I [Redacted] Owner / Applicant of the above Site Address, request or give permission to EnergyAustralia to arrange a Gas Meter Removal and/or a Gas Meter and Service Pipe Disconnection. (As selected above). By completing and signing this form I am accepting all or any charges applicable and associated from the network company performing my request.

Please print name: [Redacted] Owner/Applicant Signature: [Signature]

**The Fee Applicable to you for your area is highlighted below**

Distributor Name	less GST	GST Inc)
<input type="checkbox"/> Jemena Asset Management VIC.....	\$56.86	\$62.55
<input type="checkbox"/> APA Group.....	\$94.00	\$103.40
<input type="checkbox"/> APA South Australia.....	\$66.00	\$72.60
<input checked="" type="checkbox"/> Jemena Residential NSW .....	\$917.73	\$1009.50
<input type="checkbox"/> Jemena Commercial NSW.....	\$1965.09	\$2161.60
<input type="checkbox"/> AGL ACT.....	\$133.83	\$147.21
<input type="checkbox"/> SP-Ausnet.....	N/A	N/A

**Please Note:** The network company for your area will charge a Meter Removal Fee. This fee will be sent via an Invoice or if you are the current account holder at the Site of abolishment the fee may be charged to your final bill. Payment is not required until you have received an Invoice.  
\*\* Fees are subject to change.

Once this form is complete return this document to EnergyAustralia Gas New Connections either by post, fax or email.

Privacy: This information is collected for the purpose of Abolishing the Gas Supply to the Site Address; EnergyAustralia will disclose this information to the distribution network company for the purpose of abolishing your gas supply as requested.

**OFFICE USE ONLY**

MRM RAISED BY & DATE.....MRM SERVICE ORDER NO:.....OTL.....

SDR RAISED BY & DATE.....SDR SERVICE ORDER NO:.....