



Gas revenue smoothing across access arrangement periods

Stakeholder submissions invited on consultation for rule change request

The AEMC has commenced consultation on a rule change request that seeks to allow the recovery of revenue for Jemena Gas Networks (NSW) Ltd (JGN) to be spread across two access arrangement periods.

The proposed changes to the National Gas Rules (NGR) seek to smooth the revenue that may result from the Australian Energy Regulator's (AER's) remade final decision for JGN. Specifically, the proposed rule change would allow the recovery of revenue to be spread over two access arrangement periods rather than one. This approach aims to minimise pricing volatility for consumers.

Background

JGN operates the largest gas distribution network in New South Wales.

There has been a delay in the finalisation of the AER's final decision for JGN's 2015-20 access arrangement due to judicial review and merits review proceedings. During this delay, JGN provided undertakings to the AER which set JGN's tariffs higher than what it considered would have been the case had the AER's original final decision not been set aside. The judicial review and merits review have now been completed and the Australian Energy Regulator has commenced the process of remaking its final decision for the current access arrangement period.

JGN considers that, due to these delays, potential exists for network price volatility for customers over the next three years, from 2018/19 to 2020/21. JGN submits that this is because there is currently no mechanism in the NGR to shift revenue recovery between access arrangement periods in order to reduce price volatility. JGN considers that there is uncertainty around the extent of price volatility, given the range of outcomes that could result from the AER's remade final decision.

Proposed solution

To minimise the potential for pricing volatility, JGN submitted a rule change request to allow for revenue recovery to be spread between the current (2015-20) and subsequent (2020-25) access arrangement periods. The proposed rule would provide the AER with discretion to decide whether or not to make an 'adjustment determination'.

If the AER decides to make an 'adjustment determination', the proposed effect would be to vary the AER's remade final decision for JGN's 2015-20 access arrangement period. The 'adjustment determination' would have regard to its effect on the reference tariff variation mechanism for the 2015-20 and 2020-25 access arrangement periods.

Consultation process

The consultation paper and the rule change request are available on the AEMC's website. Stakeholders are invited to make written submissions by no later than 24 April 2018.

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