

20 April 2018

Ed Chan
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Mr Chan,

Consultation paper on the JGN Cross period revenue smoothing (Gas) rule change

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that works for a fair, just and democratic society, empowering citizens, consumers and communities by taking strategic action on public interest issues. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers of electricity, gas and water in New South Wales. PIAC welcomes the opportunity to respond to the AEMC's consultation paper on Jemena Gas Networks' (JGN) Cross period revenue smoothing (Gas) rule change proposal.¹

Costs and benefits for reducing pricing volatility

PIAC concurs with the AEMC's findings that price volatility may lead some consumers to make inefficient decisions on energy spending and investments.² PIAC cautions, however, that price stability is not always inherently preferable. For example, if consumers were able to choose between energy prices that are stable at an unaffordable level and volatile but affordable prices, it may well be in their interests to choose the latter option.

Given that this proposal is for a net present value neutral adjustment determination, and JGN is forecasting real price decreases during the period, PIAC supports it and does not consider that it inappropriately trades off affordability for price stability.

Mechanism for smoothing

To achieve price stability, PIAC concurs with JGN that a one-off measure to allow the recovery of revenue to be spread over two access arrangement periods may be desirable.

PIAC supports the proposal to provide the AER with discretion as to whether the smoothing mechanism is beneficial and required. Furthermore, PIAC supports the additional transparency of the process by having the AER make this as a separate 'adjustment determination', on the understanding that consumers and other stakeholders will have opportunity to provide input to this process.

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

¹ AEMC, [Consultation paper – National Gas Amendment \(Cross period revenue smoothing \(Gas\)\) Rule 2018](#), March 2018.

² AEMC, [Participant derogation – NSW DNSPs revenue smoothing. Rule Determination](#), August 2017, 10-12.

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