



Your Ref: GRC0043  
Our Ref: D18/93657  
Contact Officer: Israel del Mundo  
Contact Phone: 03 9290 6935

16 July 2018

Dear Mr Pierce

### **Submission on cross period revenue smoothing (Gas) draft rule**

The Australian Energy Regulator (AER) welcomes the opportunity to comment on the draft rule made by the Australian Energy Market Commission (AEMC) regarding revenue smoothing across gas access arrangement periods.<sup>1</sup>

We support the aim of the draft rule to reduce the price/revenue volatility that may arise from the outcome of the remittal process. We also agree with enabling smoothing of these price/revenue adjustments over two access arrangement periods, as it would provide greater scope to achieve the aim of minimising price volatility.

We also support the AEMC's draft rule, which is a more preferable rule. We consider it continues the simple, clear and principles-based drafting style adopted by JGN in its original proposed rule.<sup>2</sup> We are pleased the draft rule requires the revenue smoothing process to have regard to a revenue recovery principle.<sup>3</sup> We consider this principle is important in ensuring JGN is able to recover only the revenue to which it is entitled and should not receive any windfall gains or losses from the revenue smoothing process.

In our view, the draft rule would enable the AER, JGN and other stakeholders to facilitate the aim of minimising price volatility. At the same time, it provides flexibility to deal with unforeseen factors that may arise out of the remittal and/or revenue smoothing process.

From our discussions, we understand JGN will likely make suggestions regarding the drafting of particular provisions in the draft rule. We would be happy to continue

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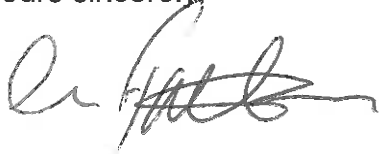
<sup>1</sup> AEMC, *Draft National Gas Amendment (Cross period revenue smoothing (Gas)) Rule 2018 No. X*, 7 June 2018.

<sup>2</sup> JGN, *Rule change proposal - National Gas Rules: Cross period price smoothing for Jemena Gas Networks*, 14 December 2017, Attachment A.

<sup>3</sup> AEMC, *Draft National Gas Amendment (Cross period revenue smoothing (Gas)) Rule 2018 No. X*, 7 June 2018, cl 53, 56 and 57.

providing assistance to the AEMC regarding the drafting of the final rule regarding these or any other matters.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Pattas', written in a cursive style.

Chris Pattas  
General Manager  
Networks (Pricing, Policy and Compliance)