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Via online submission

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**GRC0025: Setting the opening capital base—JGN submission on the draft determination**

Jemena Gas Networks (**JGN**) welcomes the opportunity to respond to the Australian Energy Market Commission's draft determination on the 'setting the opening capital base' rule change request (**rule change**).

The rule change proposes to modify the National Gas Rules to permit the Australian Energy Regulator (**AER**) to adjust the opening capital base to remove any benefit or penalty arising out of any difference between estimated and actual capital expenditure in the final year of an access arrangement period.

JGN considers the rule change would better meet the National Gas Objective because it provides certainty to the rules.

Unambiguous rules are desirable given the two varying interpretations of the current rules from the Australian Competition Tribunal outlined in the consultation paper. Providing certainty improves administrative efficiency as it provides a common understanding between the AER and the regulated businesses—thereby reducing the potential for appeal. JGN considers that the draft rule gives effect to the intent of the rule change.

Additionally, JGN supports the administrative simplicity of the rule change. Retaining the timing of the adjustment as part of the next access arrangement period has the following benefits:

- alignment to the National Electricity Rules
- ensures the true-up is subject to the rigour of the price review process (and is subject to merits review)
- ensures the adjustment is spread over a full access arrangement period, avoiding any price volatility that would occur from narrowing this recovery period.

If you wish to discuss the submission please contact me on (03) 8544 9000 or at [robert.mcmillan@jemena.com.au](mailto:robert.mcmillan@jemena.com.au)

Yours sincerely



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