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Australian Energy Market Commission
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Consultation on Second Interim Report - AEMC Review of Energy Market Frameworks in light of Climate Change Policies

This submission has been prepared by Jemena on behalf of our distribution networks, Jemena Gas Networks (NSW) Ltd (**JGN**), Jemena Electricity Networks (Vic) Ltd (**JEN**) and our transmission gas business, Jemena Pipelines (Eastern Gas Pipeline and Queensland Gas Pipeline). Jemena appreciates the opportunity to provide comments to the AEMC on the Second Interim Report on the Review of Energy Market Frameworks in light of Climate Change Policies (**the Report**). This submission focuses on those areas of the report that are most relevant to Jemena.

The network businesses have been involved in the development of the Energy Networks Association (**ENA**) submission and endorse that response.

Jemena is generally supportive of the Report and agrees with the AEMC the existing energy market frameworks are sufficiently robust to support consequent changes in the operations (and costs) of distribution businesses. Jemena also agrees that there is likely to be a period of substantial change for distribution businesses in response to the Carbon Pollution Reduction Scheme (**CPRS**) and expanded Renewable Energy Target (**RET**).

Jemena has the following comments to make on the Report:

- Jemena supports the ENA view that the AEMC has been silent on the issue of distributor cost recovery for the CPRS, and agrees that a regulation allowing for automatic price adjustments reflecting fluctuations in carbon related costs would remove uncertainty and potentially costly delays in enabling permitting cost pas through.
- Jemena continues to be concerned about the ability of transmission pipelines with long term gas transmission agreements to pass through CPRS costs. This issue

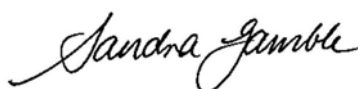
is being discussed with the Department of Climate Change and other Commonwealth agencies. It is not clear whether this issue is fully understood by those designing the CPRS but the solution appears to lie in the design of rules to ensure that shippers, not pipeline operators, have the obligation to purchase permits for system use gas.

- Another continuing concern for Jemena is the demand and forecasting risks the CPRS and other environmental policy initiatives pose to our distribution businesses. Any risk in the accuracy of forecasting demand, the cost and uptake of embedded generation and the technical operational implications of increasing levels of localised generation on our networks will be at the risk to the distributor under the current framework.
- Jemena agrees with the AEMC that there is merit in introducing formal, but temporary arrangements to allow distribution businesses to recover the costs of accredited innovation projects. Jemena believes that this initiative is particularly relevant considering the current drive towards smart network innovation.
- While the Report recommends new G-TUOS and inter-regional transmission charges, there is not a clear understanding of how these will work. Jemena is keen to understand how the design of these will affect Jemena before the design is finalised.

As outlined in Jemena's submission on the First Interim Report, businesses are in the best position to deal with the challenges posed by climate change policies. It is vital that businesses have the flexibility to innovate both at the technical and regulatory level. Where regulatory environments are not flexible enough to cater for these risks or the necessary step changes, investment may be in jeopardy.

If you have any further questions regarding this response please feel free to call me on (02) 92704512 or email: sandra.gamble@jemena.com.au.

Yours sincerely



Sandra Gamble
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