



15 October 2024

Clare Savage
Chair
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Jemena Electricity
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Dear Ms. Savage,

Application to reopen the Jemena Electricity Networks 2021-26 electricity distribution price review determination

Jemena Electricity Networks (Vic) Ltd. (**JEN**) has experienced an unprecedented number of major connection customers seeking to connect to our distribution network, to the point where the necessary investment is not sustainable within the existing capital expenditure allowance. To remedy this situation, we seek to reopen the Jemena Electricity Networks 2021-26 Electricity Distribution Price Review Determination in accordance with clause 6.6.5 of the National Electricity Rules (**NER**). Through this process, we seek to recover the material unforeseen standard control service costs associated with customer-initiated major connection projects where supply is sought at 10 MW and above.

In our 2021–26 proposal, we forecast five new customer-initiated major connection projects within the regulatory control period, totalling around 120MVA of additional capacity. The AER accepted this aspect of our proposal in its determination. Since that decision was made, JEN has received inquiries for more than 3,800MVA of new major connections, including 1,693MVA that are considered highly likely to complete or commence delivery in the 2021–26 period; this is more than a 13-fold increase in connection capacity and is far in excess of the capacity considered in the 2021-26 electricity distribution price review determination.

Connection requests are beyond JEN's reasonable control. JEN must respond to connection requests received from our customers, and to deny or seek to delay them in any way would go against our customer-focused values, our customers' expectations and our NER and Victorian distribution licence obligations.

Adding these major connections to the JEN distribution network—and in particular, data centre customers—brings significant benefits to all of our customers:

- A larger network means greater scale efficiency, reducing bills for all customers in the long term.
- Data centres operate at 98%+ utilisation. Given the large magnitude of load being connections, average network utilisation increases for all customers.

In addition to supporting efficient utilisation for long-term price outcomes and maintaining the security and reliability of our network, the NER uncertainty

mechanisms (including the reopener provision in 6.6.5) also have a critical role to play in realising our legislated emissions reduction targets. These targets are now reflected in the National Electricity Objective (**NEO**) governing how JEN must conduct its service delivery and connection obligations.

JEN has engaged with its key stakeholders on this application through its energy reference group. On 10 Oct 2024, JEN presented key elements of this re-opener application to inform the energy reference group and to seek its views and reflections. During this session:

- There was a general understanding of the situation and the rationale behind why JEN is submitting a reopener application
- There was a strong interest in JEN's purpose of recovering the additional revenue; that is, what incremental costs is JEN incurring to warrant the need for additional revenue
- the group recommended that, when setting prices to recover the incremental revenue, JEN place greater weight on energy rates rather than fixed components to allow customers to respond better to the price signal.

Overall, there was general acceptance of the reason for this application and a keen interest in understanding the outcomes.

To connect these customers, we anticipate spending more than \$300 million of gross capital expenditure, or approximately \$100 million in net terms. Although there is a cost increase, this is more than offset by the volume increase, with savings in average bills to residential customers expected to be \$101 by 2030-31 through increased scale efficiency and improved utilisation.

The issue we face in the 2021-26 regulatory period is temporal due to the rate at which these major connection customers have sought access to the JEN network, and we seek to remedy this issue by reopening the 2021-26 determination.

I want to thank the AER Board and staff for engaging with us on this reopener application to date. As the AER considers this application, please reach out to Jemena's regulation team or contact me directly if you require further information.

Kind Regards,

David Gillespie
Managing Director