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Dear Kris

Jemena Electricity Networks (Vic) Ltd: 2021-26 Price Review Determination – Reopener application – additional information

In our 2021-26 Price Review Determination reopener application (**application**), Jemena Electricity Networks (Vic) Ltd (**JEN**) committed to providing an audit report confirming the actual major connection capital expenditure for the first three years of the 2021-26 regulatory control period once the 2023/24 Regulatory Information Notice audit was completed. This approach was undertaken to provide an additional year of data which we could not submit at the time of submitting our application.

In accordance with this commitment, we attach the following documents:

- Agreed Upon Audit procedure outcomes report from our external auditor [Confidential]
- A transmittal letter outlining our external auditor engagement [Confidential]

We flag these documents as confidential in accordance with the terms of engagement with our external auditor and in accordance with the Australian Energy Regulator's (**AER's**) Confidentiality Guidelines as outlined in Appendix A of this letter.

Price impacts to small customers

In JEN's application, we demonstrated that the net price impact to residential customers using the Victorian Default Offer (**VDO**) was a 3.6% increase in the customer electricity bill for the 2025/26 regulatory year. This position was presented independently of any other annual updates that take place when submitting annual prices.

Since lodging our submission, we have received feedback from several stakeholders seeking more information on the price impacts on residential customers out of concerns about the current cost of living pressures. We have heard firsthand from our customers through our Peoples Panel and Customer Voice Groups how real these pressures are.

We have undertaken further analysis to estimate price impacts to residential customers. In this additional analysis,¹ we have incorporated estimates of the other factors that form part of the annual price adjustment, such as updates to the unders and overs account, annual updates to the cost of debt, the Service Target Performance Incentive Scheme adjustment and Consumer Price Index (**CPI**). Once these adjustments are taken into account, we estimate that the overall impact of the re-opener application is a 1.6% increase in 2025/26 residential customer bills (or a 0.6% increase in real terms).² After the 2025/26 regulatory year, the new major connections will place downward pressure on bills, which will benefit all customers.

We recognise the concerns that forecast price increases in the 2025/26 year may have on residential customers; however, we note that the long-term benefits that the additional loads will bring to all customers far outweigh the 2025/26 price impacts. JEN is further aware that the principles outlined in the National Electricity Rules (**NER**) that permit the reopening of a price review determination are complicated and can be lost on the average consumer. Even though they are grounded on efficient market design objectives, they can lead to confusion, particularly when the outcomes result in price increases from time to time.

Cognisant of these pressures and the timing difference between a re-determination and pricing determination, we understand there is an expectation for us to consider both the cost recovery and pricing options together. To this end, JEN will commit to tariff rebalancing for 2025/26 that minimises the short-term (one year) impacts to residential and small business customers within the limits available in the NER and work with the AER on other revenue smoothing options.

Changes since submitting our application

As part of the application, we highlighted the rapidly changing environment for major connection customers. Even since submitting our application just two weeks ago, the rapid evolution continues, these include:

- Several major connection customer applications have progressed:
 - Project DC04 has progressed from *Delivery underway* to *Commissioned*
 - Project DC18 has progressed from *Firm offer issued* (60MVA) to *Revised offer requested for higher capacity* (150MVA)
- Whilst no additional projects have been added to our list of projects, discussions continue on those projects that have been flagged as possible but not a part of our application.

¹ This additional modelling adopted the VDO price for the 2024/25 year, substituted in the forecast electricity distribution charges for the 2025/26 year and held all other components of the VDO constant. JEN recognises that non-distribution charges for components of the VDO will change. However, it is not possible to know these amounts until the Essential Services Commission of Victoria undertakes its analysis in 2025. Given this, the direction and magnitude of those other bill stack components are unknown, and, therefore, we have adopted an approach to hold all other components as constant.

² When presenting the price impacts to residential customers in the application, we adopted the overall revenue impacts but did not incorporate other price adjustment factors, including rebalancing. We took this approach because, in the usual course of making submissions to the AER to see changes to revenue amounts—such as through cost pass-through applications, contingent projects, or, as in this case, through reopener applications—the AER makes a determination on revenues and addresses the annual price impacts in a later price review process which takes place by 31 March each year.

Whilst the additional project increases the net costs to JEN, we do not seek to adjust the amount of our application but wish to highlight that the basis for the application is more certain with the progress of time (which we flagged in our application) and to demonstrate our commitment to managing the outcomes to our customers in terms of price impacts to the extent possible.

If you have any questions regarding this submission, don't hesitate to get in touch with me on [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]

Ana Dijanosic
General Manager Regulation

APPENDIX A – Claims for commercial-in-confidence

The following table identifies specific sections of JEN's RIN response that JEN claims to be commercial-in-confidence and the basis of the claim. These claims are consistent with the requirements set out in the AER's Confidentiality Guideline (August 2017).

JEN has provided reasons detailing how and why disclosure of the information would cause detriment to the business. JEN understands that this confidential information being available to the AER to perform its functions under the rules provides a public benefit, and has assessed that, in all identified cases, JEN's confidentiality reasons, together with the benefits already realised through the AER's confidential use of this data, are not outweighed by any additional public benefit to disclosure of the information.

Document title	Title, page and paragraph number	Description of the confidential information	Topic the confidential information relates to	Confidentiality category	Why the confidential information falls into the selected category	How and why detriment would be caused from disclosing the confidential information	Reasons supporting why the identified detriment is not outweighed by the public benefit
External auditor Agreed Upon procedure and Transmittal letter	Entire documents	Audit report on financial information and review report on estimated financial information and non-financial information	Audit and review reports	Market sensitive cost inputs / Market intelligence	Public disclosure could have value implications for Jemena's traded debt. If the audit report in question (and potential similar future reports) were to be published, investors could rely on the information in those reports.	JEN's agreed upon procedures is confidential in its entirety, as there would be harm to both JEN and the Auditor if the report is publicly disclosed. While JEN is not publicly listed, the Jemena Group has publicly listed debt. Therefore, public information could have value implications for Jemena's traded debt. If the audit report in question (and potential similar future reports) were to be published, investors could rely on the information in those reports. Most investors would not understand the difference between a statutory audit report	While the detriment of publishing the information is clear, JEN is not aware of any material incremental benefit from the AER publishing this information, as opposed to using it on a confidential basis.

Document title	Title, page and paragraph number	Description of the confidential information	Topic the confidential information relates to	Confidentiality category	Why the confidential information falls into the selected category	How and why detriment would be caused from disclosing the confidential information	Reasons supporting why the identified detriment is not outweighed by the public benefit
						<p>and a regulatory audit report. Given this, any potential non-compliance that may be noted in a regulatory audit report could mistakenly be perceived by investors as an issue with JEN's statutory financial reporting. This could damage JEN's reputation with investors and result in unnecessary costs of JEN issuing explanations and reassurances to the market.</p>	