

Claire Preston  
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By email: [REDACTED]

26 August 2024

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Dear Claire

### **Feedback on the preliminary 2024 economic benchmarking analysis**

Jemena Electricity Networks (Vic) Ltd (**JEN**) welcomes the opportunity to provide feedback to the Australian Energy Regulator (**AER**) on preliminary 2024 economic benchmarking analysis and results. We provide our feedback on the analysis below –

- 1. MTFP to reflect new capitalisation approach** - The AER's Multilateral Total Factor Productivity (**MTFP**) analysis intends to reflect the new capitalisation approach, which includes capitalised corporate overheads as part of the operating expenditure. We consider that this approach is reasonable and well-intended to ensure consistency with econometric benchmarking approaches. However, we notice that the output weights used in MTFP analysis are still estimated using data based on the 2014 Cost Allocation Methodology instead of the new capitalisation approach. This creates an internal inconsistency in the MTFP analysis as it does not fully reflect the new capitalisation approach. We therefore recommend that the AER derive the output weights using the new capitalisation approach to ensure internal consistency.
- 2. Dataset used for deriving MTFP weights** - The dataset used for deriving output weights is 2006-2018. Both Economic Insights and the AER have previously indicated a preference for updating the output weights periodically in the AER's 2018 Annual Benchmarking Report<sup>1</sup>. Economic Insights noted that<sup>2</sup>:

*The weights do need to be updated periodically to improve their currency and to take advantage of larger sample sizes which become available over time... We recommend these updated output weights be left in place for the next 5 years.*

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<sup>1</sup> AER, *2018 distribution network service provider benchmarking report*, November 2018, Pg. 56

<sup>2</sup> Economic Insights, *Economic Benchmarking Results for the Australian Energy Regulator's 2018 DNSP Annual Benchmarking Report*, November 2018, Pg. 1-2

Given that we have completed 5 years since 2018 and data up to 2023 is available it is timely to revise the output weights to incorporate the most recent data.

We are committed to working collaboratively with the AER and welcome any further queries regarding this submission. We look forward to further engagement on these matters. Please contact Jerrie Li at [REDACTED] if you would like to discuss this submission further.

Yours sincerely

**Sandeep Kumar**

Group Manager Regulatory Analysis, Pricing and Strategy