Jemena Electricity Networks (Vic) Ltd

2026-31 Electricity Distribution Price Review Regulatory Proposal

Attachment 02-23

Energy Reference Group Report
(Feedback on JEN's Draft Plan)

Feedback on Jemena's 2026-2031 draft plan

Energy Reference Group 2024

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Background – The Energy Reference Group

As part of their customer and stakeholder engagement approach, Jemena established the **Energy Reference Group ("ERG")** to provide expert advice and insights to Jemena on the key issues relating to the 2026-31 regulatory period.

ERG is a diverse mix of independent energy experts and customer advocates with expertise and knowledge of:

- the energy sector,
- the requirements of electricity distribution networks,
- regulatory topics,
- the energy transition,
- tariffs.

ERG members include:

- **Andrew Richards**, Chief Executive Officer, Energy Users Association of Australia
- **Gavin Dufty**, Executive Manager, Policy and Research, St Vincent de Paul
- **Kate Hansen**, CarbonLite Chief Operating Officer
- **Kellie Larsen,** Director, Verve Strategic Consulting
- **Lynda Osborne**, Client Lead APAC, Kraken
- **Dr Morley Muse**, Co-Founder and Director, iSTEM
- **Neil Watt**, Network Strategy Adviser
- **Ruchika Deora**, Head of Product, SEC Victoria
- **Ruth Harland**, Utilities Officer, Moonee Valley City Council
- **Tim Callaghan**, GM Strategic Initiatives, Victorian Chamber of Commerce and Industry.

The ERG met 10 times from October 2023 to October 2024, both in person and virtually, offering Jemena advice, perspective, and independent feedback based on their expertise.

Before each session, Jemena distributed comprehensive pre-read materials and delivered in-depth presentations on key topics to ensure ERG members had the necessary information to ask informed questions and seek clarifications. The ERG sessions were well-attended by members of the Jemena team, who actively engaged in listening and gathering insights from the discussions and collaborations. The Jemema team deserves commendation for their open, constructive engagement and curiosity throughout this process.

Throughout this process, there were structured opportunities for cross-collaboration between the People's Panel and the ERG. During select ERG sessions, members of the People's Panel were invited to provide their perspectives, enriching the discussions with diverse viewpoints. Conversely, ERG members had the opportunity to attend People's Panel sessions, where they could offer their expertise on key topics, fostering a robust exchange of knowledge and insights.

Most of the ERG have now provided comprehensive feedback to Jemena on their views of the Draft Plan. This report is a consolidation of the ERG feedback.

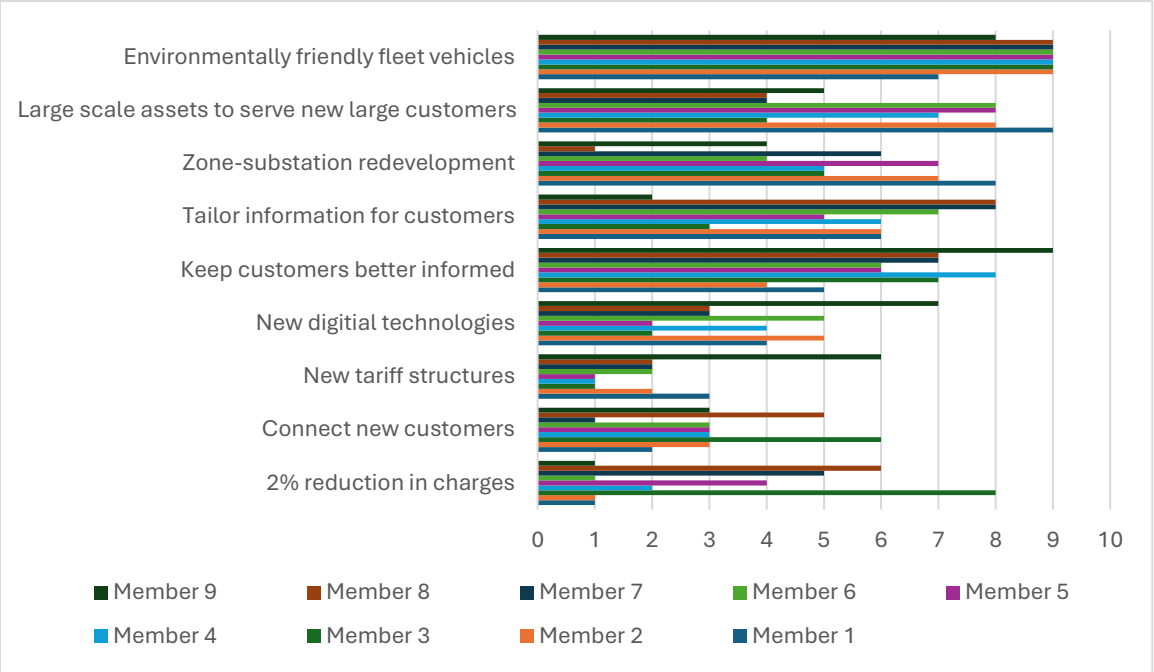
Preparing the electricity network for the future

Ranking the draft plan initiatives

The ERG has ranked each initiative from highest to lowest priority from 1-9, with 1 being the highest priority. The average score across the group showed the priorities as follows:

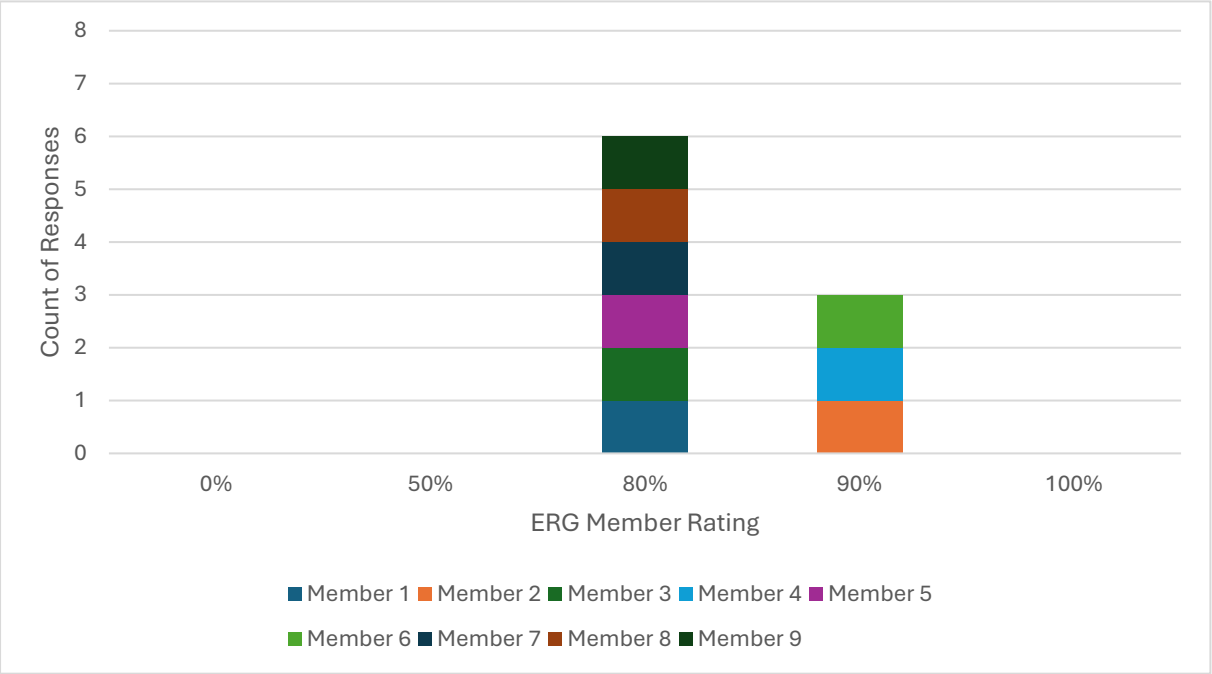
1. ***New tariff structures*** *that encourage better network utilisation and improve price equity between solar and non-solar customers*
2. ***Connect over 33,000 new residential customers and 2,585 businesses*** *in North-west Melbourne*
   Ensure all customers receive an average 2% reduction *in distribution charges during the next regulatory period (excluding inflation)*
4. ***New digital technologies to improve electricity system management*** *and enable new sustainable products and services*
5. *Broad-based* ***zone-substation redevelopment program*** *to maintain the current reliability levels*
6. *A new portal to* ***provide tailored information based on customer preferences*** *and language needs with energy information*
7. ***Large-scale assets to serve new large customers*** *such as data centres and hospitals*
8. *Upgrades systems to* ***keep customers better informed with real time information*** *at times they need it the most*
9. ***Replacement of fleet vehicles*** *with those that are more environmentally friendly to increase the sustainability of our operations*

Individual responses varied across the group, with some considering the 2% reduction in distribution charges as the most significant initiative, while others prioritised new tariff structures and connecting new residential customers and businesses.



Does the Draft Plan prepare our electricity network for a more sustainable energy future while meeting customer and community needs?

The ERG has responded with overwhelming positivity to the Draft Plan, with all members rating it between 80 and 90 out of 100. Overall, the feedback indicated satisfaction with the Draft Plan's preparation for a sustainable energy future while meeting customer and community needs.



Customer Engagement Process (Chapter 2)

Did our customer engagement capture all of our customers? If not, who did we miss?

The ERG's feedback on the customer engagement process was highly positive, with all members rating it highly. Members believed that Jemena's consultation efforts robustly reflected the perspectives of various customer groups, although engaging retailers proved to be more challenging. Despite this, the consensus was that the engagement had given the best chance to capture a wide range of customer inputs.

Some members did express concerns about capturing consumer preferences at the tail end of the regulatory period, emphasising the importance of ongoing engagement to mitigate the uncertainties of the future.

It was also noted that bringing insights together from other DNSPs, AER, AEMC, ESC and ACCC may add value to the process.

The ERG's comprehensive and positive response highlights the robustness of Jemena's customer engagement process and its success in addressing diverse customer needs and preferences.

What is your feedback on our customer engagement and the outcomes?

The ERG believe that the Jemena team have done an outstanding job engaging with various customer segments, capturing numerous perspectives and ideas. They have listened to and acted on the information provided, taking into account the multitude of views. No doubt, this was an extraordinarily difficult task, yet it was executed with a high degree of professionalism and effectiveness.

Jemena's customer and community engagement efforts have been exemplary and class-leading. The broad range and depth of engagement reflect a deep understanding of the importance of inclusivity, involving not only customers but also the broader community. This comprehensive approach is clearly mirrored in the draft proposal, highlighting the thoroughness and thoughtfulness of their engagement strategy.

Moreover, Jemena has developed a customer engagement process that is well tailored to the unique attributes of their electricity network. By engaging across multiple stakeholder groups, they have successfully uncovered and revealed the diverse preferences of various groups of people. It is evident that Jemena has diligently adhered to the requirements outlined in the Better Resets Handbook, ensuring that their engagement efforts are both effective and compliant with best practices. The challenge will remain to be to integrate the learnings in way that resonates with the regulator under current interpretation of the regulatory frameworks

The engagement was broad, deep, and tailored to effectively educate and engage a wide range of customer groups. Although some customer groups, such as C&I and First Nations, may not have had as many opportunities to engage as others due to practical or time constraints, this presents an opportunity for Jemena to review and incorporate lessons learned into ongoing customer engagement efforts. By identifying and addressing these challenges, Jemena can

further refine and enhance their engagement processes, ensuring that all stakeholder voices are heard and considered.

Jemena's efforts to target minorities and mainstream customers were particularly noteworthy, ensuring that all groups had a clear understanding of critical issues such as customer market pressures around the affordability of energy, aspirations for the future of their customer base, the need for change to renewables, and the specific customer requirements during this transitional phase.

The content presented during our ERG engagements was structured appropriately to ensure it could be easily understood. This approach minimised the risk of overly influencing views, focusing instead on educating, informing, and seeking inputs from participants.

Overall, Jemena's approach to customer and community engagement is an excellent model of genuine engagement. The team's ability to navigate and address the complexities of diverse customer needs has set a high standard for future engagements. Their work not only meets the immediate needs of their stakeholders but also lays a strong foundation for sustained improvements and positive outcomes in the future. The commitment to continuous improvement and the willingness to adapt and evolve their engagement strategies further underscore Jemena's dedication to fostering meaningful and impactful stakeholder relationships.

The Energy Transition (Chapter 3)

What do you think about our future network strategy?

The ERG team is supportive of Jemena’s future network strategy.

Jemena's strategy outlines a clear vision for supporting Victoria's energy transition towards net zero by 2045, focusing on electrification, customer engagement, and digital transformation. Embracing electrification and adapting the electricity distribution network to accommodate EVs, renewable energy sources, and increased battery storage will be crucial. Jemena’s plan to cater to new demands and upgrade existing systems aligns with the broader goals of decarbonisation.

The strategy’s multi-channelled customer engagement, involving decision-making, pricing incentives, and non-network alternatives, positions Jemena as a facilitator of customer empowerment. This consumer-centric approach encourages behavioural change and enhances engagement.

Building a digital, data-driven infrastructure ensures Jemena can handle the growing complexity of energy systems. The adoption of automation, analytics, and enhanced applications supports power system security and facilitates new market participants, enabling more agile and responsive networks.

We commend Jemena's efforts to empower stakeholders by providing accessible and informative content. Their commitment to listening and acting on the diverse perspectives of various customer segments is exemplary. Identifying and addressing engagement challenges presents opportunities for further refinement and enhancement of engagement processes.

Ensuring customers feel part of the journey through engagement, digitalisation, and actionable ways to reduce bills is key. Jemena's proactive approach in flexible demand and optimisation is an underrepresented opportunity that holds great potential.

The future network strategy's main pillars and drivers are appropriate, and placing customers at the heart of the strategy is crucial. Jemena's careful articulation of the investment approach to manage uncertainty and risks, especially regarding customer expectations and tariff incentives, is well considered. Good communication, co-ordination with Retailers, and customer buy-in to the tariff incentives will be essential for success.

Overall, Jemena's future network strategy sets a high standard for navigating the complexities of diverse customer needs. Their work not only meets immediate stakeholder needs but also lays a strong foundation for sustained improvements and positive outcomes in the future. The ERG team is confident that Jemena's dedication to fostering meaningful and impactful stakeholder relationships will continue to yield significant benefits.

Are there other considerations we need to account for in our future network strategy?

Jemena's commitment to evaluate the appropriate use cases for network-side storage is commendable. We believe that simply committing to installing network-side storage should not be an objective in itself. It is crucial to investigate how and when network-side storage can provide economic, fair, and efficient solutions to meeting customers' needs.

The quadrupling of energy provision to Jemena's network over the next five years, driven by the pipeline of data centres, poses significant public health risks. These must be addressed collaboratively between Jemena and local councils. The northwestern suburbs are already significantly hotter than the rest of Melbourne during heatwaves, and this additional heat load from data centres needs to be mitigated. We recommend considering setting up data centres to export high-quality liquid heat to adjacent industries, rather than discharging it directly into the local environment. This approach could allow productive use of waste heat by nearby industries.

We also highlight the importance of resilience and climate adaptation. As electrification increases, Jemena must consider the impact of extreme weather events linked to climate change, which could stress the grid. Building network resilience through decentralisation (such as microgrids and localised energy storage) and smart grid technologies should be a focus.

Close collaboration with renewable energy developers will be essential to ensure that renewable energy generation and storage assets can be smoothly integrated into the grid. Additionally, ensuring that all customer segments, including vulnerable populations, have equitable access to the benefits of electrification and renewable energy should remain a priority. This could include targeted programs or subsidies for those who may struggle to afford the transition.

Developing flexible and dynamic pricing models that encourage users to shift demand to off-peak times or participate in demand response programs will be necessary to avoid overloading the grid.

Regarding the strategy chapter, an emphasis on the customer journey and the evolution of customer needs as the energy market changes would be beneficial. This focus will help articulate customer value creation more clearly.

Moreover, Jemena needs to anticipate infrastructure improvements if the government proceeds with the SRL and other 'small cities' location initiatives. This foresight will ensure that the infrastructure supports future demands, including potential SME influxes and large apartment complexes.

In summary, the ERG believes that Jemena is on the right track with its network strategy. However, by addressing these additional considerations, Jemena can ensure a future-proof and inclusive energy network that aligns with Victoria's net-zero goals.

Capital Investment (Chapter 5)

What do you think about our proposed capital expenditure for the next regulatory period?

The ERG commend Jemena's commitment to addressing future energy demands, maintaining network reliability, and supporting Victoria's net-zero targets. The proposed capital expenditure of $2 billion, reflecting a 47% increase, appears justified in light of the anticipated rise in connections and the need for network augmentation to accommodate electrification and other evolving needs.

The emphasis on asset replacement is crucial for sustaining network reliability and mitigating operational risks. Given the aging infrastructure, prioritising asset renewal will help minimise outages and reduce maintenance expenses, ensuring a dependable energy supply for customers.

Investment in resilience measures to withstand extreme weather events is particularly noteworthy. With the increasing frequency and severity of such events, it is imperative to fortify the network's capacity to manage and recover from disruptions, safeguarding system integrity and reliability.

Addressing fluctuations in demand by allocating funds for network augmentation demonstrates a proactive approach. As the integration of customer energy resources and the adoption of electric vehicles grow, Jemena must be prepared to manage both peak and minimum load scenarios effectively. Augmentation expenditure to address fluctuations in demand is forward-thinking. With more customer energy resources (like rooftop solar) being integrated into the grid and an increase in EV charging, Jemena needs to ensure that it can manage both peak and minimum load scenarios effectively.

Leveraging new technologies to enhance network efficiency aligns well with global energy trends. The focus on improving service delivery through data and smart technologies will boost the network's flexibility and responsiveness, meeting evolving customer expectations.

However, we have noted some concerns:

- The significant increase in capital expenditure requires careful consideration, particularly in the context of current and potential future cost of living pressures. While Jemena forecasts a 2% decrease in charges (excluding inflation), it is important to recognise that overall household energy costs may still rise due to other components of the energy transition.

- It is essential to communicate the long-term benefits and value proposition clearly to consumers. As energy costs increase, it is vital that the perceived value to customers proportionally increases, ensuring a favourable outcome for all stakeholders.

- A comprehensive outline of long-term network strategies, particularly regarding the northern and central area zone substation strategies, would help clarify the rationale behind the proposed augmentation expenditure and its timing.

- While supporting the move towards renewable energy and battery storage, Jemena should consider the potential impact of immigration and housing developments in its network on energy demand. A strategy that anticipates these factors will better position the company to meet future challenges.

Are there other concerns or expectations that we have not accounted for in our forecast?

The Energy Reference Group has consolidated its feedback and would like to highlight key concerns and expectations regarding the capital expenditure plan.

Firstly, while the increased capital expenditure is necessary, it is crucial that Jemena balances this investment with cost control to avoid placing undue financial burden on consumers. Keeping electricity prices affordable while making significant infrastructure upgrades will be an ongoing challenge.

Secondly, the evolving nature of energy consumption, particularly with distributed energy resources (DERs), may require additional investment in grid flexibility solutions, such as demand response systems, energy storage, or localised microgrids. These investments could provide longer-term benefits in balancing supply and demand.

Another important aspect is sustainability. Jemena should emphasise its commitment to sustainability within its capital expenditure plan, especially regarding the lifecycle of assets and materials. Investing in sustainable technologies and adopting a circular economy approach would further align with climate goals.

There are questions regarding the ICT budget, which is 10% lower than the current regulatory period, despite increased investment in digitalisation. Clarification on whether this is covered under operational expenditures would be appreciated.

It is also suggested that Jemena provide more discussion around the synergies and efficiencies incorporated between different categories of capital expenditure, such as Replacement, Augmentation, and ICT, to ensure customers understand the efforts to keep any capex increase as low as possible.

Flexibility and adaptability are critical given the rapid changes in the energy industry. It is important to consider government and other public policy interventions, as well as external factors affecting the industry.

In summary, the Energy Reference Group believes that key areas of concern have been addressed adequately, synthesising customer needs while remaining pragmatic.

Do you have other suggestions in relation to our forecast capital expenditure for the next regulatory period?

The Energy Reference Group would like to offer the following suggestions and observations:

1. Increased Focus on Renewable Integration: We recommend allocating additional resources to facilitate the faster integration of renewable energy sources into the grid. This will ensure smoother interconnections for community-scale and household-level solar and battery systems, supporting our transition to a more sustainable energy future.

2. Customer-Centric Innovations: While the inclusion of technology solutions is noted, further investment in customer-facing innovations, such as smart home systems and incentives for residential energy storage, could significantly reduce peak loads and improve grid stability.

3. Proactive Community Engagement: It is essential that investments in network upgrades and resilience measures align closely with community expectations. Ongoing consultations with customers will ensure transparency regarding how capital expenditure benefits them directly, maintaining public support for these initiatives.

Additionally, given the 47% increase in capital expenditure, we suggest providing greater clarification on the deliverability of these projects. Specifically, we are interested in understanding the extent to which this increase necessitates additional labour and any potential impact on operational expenditure. We suggest more detailed analysis, particularly regarding IT expenditure and the distinction between capitalisable project development/implementation costs and those that cannot be capitalised.

Operating Expenditure (Chapter 6)

What do you think about our proposed operating expenditure for the next regulatory period?

The Energy Reference Group acknowledges Jemena's proposed operating expenditure for the next regulatory period, recognising a commitment to maintaining operational efficiency while addressing future obligations. The 2% reduction from the current period's allowance is commendable and reflects Jemena's continuous improvement efforts, positioning the organisation favourably for delivering long-term benefits to customers.

The proposed OpEx expenditure appears appropriate and aligned with the Australian Energy Regulator's (AER) frameworks. Noteworthy changes include costs relating to emergency backstop mechanisms and future network initiatives, which are timely and likely to become standard as the industry evolves. While the emergency backstop mechanism is hopefully seldom required, continued investment in storage and demand flexibility is essential.

The technical explanations for expenditure increases and reclassifications in the Draft Plan is well-targeted at the AER, however it may not be easily understood by all stakeholders.

The feedback on operating expenditure mirrors that of capital expenditure, potentially affecting cost-of-living challenges. It is reassuring to note that due to efficient operating expenditure and business operations, customer charges are expected to reduce over the next regulatory period.

In summary, the Energy Reference Group supports Jemena's balanced approach in its forecast operating expenditure, emphasising the importance of transparent and detailed communication of these financial plans to all stakeholders.

Are there other concerns or expectations that we have failed to account for in our forecast?

The Energy Reference Group has identified the following areas of concern and expectations.

Firstly, the need for a more detailed breakdown of the costs associated with the energy transition was suggested. With the increasing importance of sustainability, it is critical to outline these expenditures clearly, highlighting their expected impact on customers and how they align with broader regulatory and environmental targets. This transparency will help reassure stakeholders of your commitment and strategy.

Additionally, there were questions relating to the operational expenditure impact related to the increased use of cloud services. While an increase in cloud service usage typically drives up opex, it is important to acknowledge other IT initiatives, such as changes in the technical operating model or outsourcing, which may offset these costs. The group also recognises that greater opex efficiencies outside IT, such as economies of scale mentioned in the draft proposal, may offset the increase in IT opex.

Furthermore, the group stresses the critical need for investment in ICT expenditure to ensure data governance, data quality, and data assurance. Effective use of AMI meter data is contingent on these investments, especially in light of proposed government and AEMO operational changes.

Do you have other suggestions in relation to our forecast operating expenditure for the next regulatory period?

Has there been any benchmarking of the required ICT total expenditure to justify increased expenditure?

Jemena would benefit from analysing long-term IT opex growth, including depreciation impacts, and understanding IT's share of total opex. This will help Jemena manage IT costs transparently and effectively. It may also aid in justifying future revenue increases by linking IT expenditure to the delivery of distribution services to customers

Chapter 7 Incentive Schemes

What do you think about new connections being included under the current capital expenditure sharing scheme (CESS)?

The Energy Reference Group has considered the inclusion of new connections under the current Capital Expenditure Sharing Scheme (CESS) and has several observations.

Firstly, including new connections under the CESS could present challenges in ensuring fairness and accuracy of efficiency assessments. New connections, particularly in growing areas, involve expenditures influenced by factors beyond the control of Distribution Network Service Providers (DNSPs), such as government policies, housing market fluctuations, and regional growth patterns. Including these unpredictable costs in the CESS might distort the scheme's goal of promoting efficiency, as these expenditures do not necessarily reflect a DNSP's management performance.

The network is rapidly evolving due to a variety of unforeseen occurrences. Previously, it would have made sense for new connections to be included under the CESS; however, moving forward, this is no longer the case. The types of connections are changing, with a shift from residential and commercial to data centres, and the requirements of these connections are also evolving, particularly with higher loads due to electrification. These factors should be carefully considered by the AER.

The proposed changes by Jemena to the CESS in relation to new connections are well presented, including the timing of expenditure and contributions. If Jemena can address concerns that including net new connections (i.e., connections capex less customer contributions) removes concerns about leaving new connections capex in the CESS, the proposal seems sound.

Lastly, we agree that the risk of penalties is high given the increasing number and magnitude of new connections, and the difficulty in predicting these for the next regulatory period.

Therefore, the Energy Reference Group recommends a thorough review of these considerations to ensure the CESS remains fair, accurate, and supportive of efficiency goals.

What are your views on our proposal to exclude new connections volumes from the CESS, AND calculate the CESS using the same method to calculate the other elements of the building block approach?

The Energy Reference Group has reviewed the proposal to exclude new connections volumes from the CESS and calculate the CESS using the same method as other elements of the building block approach. Similar to our rationale above, we find this proposal to be appropriate, particularly considering the pipeline of datacentres applications already received.

By excluding new connection volumes from the CESS, the proposal aligns with the principle of isolating controllable expenditures from non-controllable ones. This ensures that the CESS focuses purely on Jemena's efficiency in managing their capital investments, rather than penalising or rewarding them for factors beyond their control. Furthermore, employing a

consistent calculation method across all building block elements enhances transparency and trust in the regulatory assessment process.

This approach has been significantly discussed within Jemena, and the methodology appears sensible and reasonable. We believe it is prudent to exclude new connections volumes from the CESS and calculate the CESS using the same method for other elements in the building block approach.

Alternatively, incorporating the value of risk into the connect charge for these customers could be considered.

What do you think about our proposed Customer Service Incentive Scheme (CSIS) measure and weightings?

Overall, we believe the CSIS offers a promising framework for promoting strong customer service outcomes. By incentivising DNSPs to improve customer interactions and deliver timely services, the scheme encourages networks to prioritise customer experience.

The weightings within the CSIS require thoughtful consideration to ensure they align effectively with customer priorities. This includes timely fault resolution, clear communication during outages, and accurate billing processes. While the proposed weightings appear appropriate, it is crucial to factor in the preferred methods of customer communication. For example, if a significant majority of customer interactions occur via digital channels, the weightings should reflect this reality.

We also note that the 25% weighting for unplanned outages is relatively high, given that many such outages are related to uncontrollable factors like weather and vegetation. A more specific categorisation of customer satisfaction metrics could enhance the scheme's effectiveness.

The proposed CSIS measures and weightings are impactful and pragmatic, supporting ongoing improvement in services and behaviours aimed at enhancing the customer experience. We believe that the CSIS aligns well with customer expectations by incorporating accountability and benchmarking into our customer service framework. Adopting these KPIs across all providers, as outlined in the Draft Plan would be beneficial.

The Energy Reference Group endorses the proposed CSIS with the consideration that adjustments may be needed to ensure accurate representation of customer interactions and uncontrollable outage factors. This will help maintain the focus on consumer outcomes and service excellence.

Do you have other suggestions on what CSIS measures are important for you?

Outage Communication Effectiveness. Customers highly value transparent and timely communication during outages. Thus, we suggest implementing a measure that tracks the effectiveness of communication regarding expected outage durations, updates, and resolution times.

It is essential to monitor customer satisfaction for specific services such as handling complaints, response times for outages, and new connections. We recommend tracking these metrics on a quarterly basis to ensure continuous improvement.

Additionally, we suggest including a measure for customer satisfaction with other digital communication channels and evaluating consumer sentiment and trust in Jemena

While keeping the CSIS simple is important, as reflected in the current proposal, incorporating these additional metrics will provide a more comprehensive understanding of customer satisfaction.

Chapter 8 Revenue requirements

Overall, do you consider that our forecast revenue requirement strikes the balance between our customers' expectations on affordability and prioritising investments that will help us improve and maintain network reliability and resilience, accommodate forecast export from customer energy resources and provide ongoing service excellence to our customers?

The Energy Reference Group believe that the balance between affordability and necessary investments has been achieved, as customer charges are projected to remain low while prioritising investments that meet customer expectations. Investments in network resilience, digitisation, and support for a sustainable energy future are crucial for ongoing service excellence.

While the revenue outcome may not please everyone and is presented as a minor decrease in network charges for 'average' residential customers, it meets the objectives of providing increased service quality.

Although the step change in expenditure may cause some discomfort due to its stark contrast with previous years, it is understood that these investments are essential for electrification and future cost reductions. Immediate investments mean future costs will be lower, preventing a scenario of "missing the boat" and facing prolonged higher expenses.

The forecast revenue requirement reflects a synthesis of customer needs and priorities across many segments, supporting the overarching objective of investing for the future while meeting current needs. The 2% reduction followed by flat charges across the regulatory period is commendable.

We recommend that Jemena communicate these positive changes effectively to customers, particularly highlighting the overall reduction in charges from 2026/27 and the stability thereafter. Strategies to combat potential negative headlines in traditional and/or social media should also be considered to ensure clear and positive messaging. Consider proactively identifying those at highest risk of being impacted by the additional financial burden and seek ways to inform and support them.

Do you have other views or suggestions in relation to our forecast revenue requirement?

We appreciate the effort put into crafting a proposal that balances affordability, resilience, and the facilitation of the energy transition. The transparent communication of how network investments directly benefit customers will be crucial in maintaining their support for the proposed revenue increase. Additionally, exploring potential efficiency gains and innovations could help manage future costs while ensuring service excellence and resilience.

Regarding the calculation of the average 2% drop in household customer charges in the new regulatory period, further clarification is needed. While it is understood that charges per kWh will decrease due to increased overall network-wide consumption, we are curious if the household

network charge will also be impacted by rising household consumption. Is the annual average household network charge calculation based on the assumption that households consume 4,300 kWh per year over each year of the regulatory period? Furthermore, is there an expectation that electrification will lead to an increase in average household consumption per year?

We also emphasise the importance of cost allocation. Ensuring that costs are allocated to the entities that incur them is critical during the energy transition. This approach should be reflected in the tariffs and charges section.

Lastly, including Jemena's debt rating would be beneficial for understanding the company's ability to refinance debt against their Regulatory Asset Base (RAB).

We believe the forecast revenue requirement reflects a comprehensive and robust proposal, incorporating the needs of many customers while balancing key priorities.

Tariffs and Charges (Chapter 9)

What changes would you like to see to residential, small business or large business tariffs?

Residential Tariffs

The Energy Reference Group does not have a consensus view on residential tariffs.

One point of view recommends the removal of the demand tariff for residential customers and the transition to a time-of-use (TOU) tariff. Although the TOU tariff has been met with resistance, this viewpoint believes there is sufficient time to educate and engage customers on its benefits. This would need transparent communication to mitigate any negative perceptions and to ensure clarity.

However, an alternate viewpoint opposes changes to the export tariff. Whilst it is recognised its intention to encourage self-consumption and modify customer behaviour, this view cautions against penalising customers who invest in Customer Energy Resources (CER). Alternative approaches, such as controlled flexible demand (e.g., hot water systems, pool pumps) and storage solutions, should be considered to address minimum demand issues without discouraging CER investment. Additionally, it is suggested to introduce a cap on the size of solar installations or requirements for storage solutions for larger systems to optimise peak hour contributions.

Small Business Tariffs

We support the proposed changes to the small business tariffs and emphasise the importance of providing certainty and clear communication to this customer segment. Ensuring that the pricing structure is easily understood will help maintain positive engagement with small business customers.

Large Business Tariffs

We agree with the proposed tariff structure for large businesses and appreciate the efforts to provide clear and straightforward information. This will help large businesses make informed decisions about their energy usage.

General Comments

We advocate for the use of effective price signals to optimise network usage across all customer segments while providing practical options for improved affordability. The current tariff proposals largely reflect this goal.

Additionally, we recommend better direct communication with consumers, and co-ordination with Retailers, to facilitate the implementation of opt-out tariffs and dynamic operating envelope tariff structures based on seasonality. Flexible tariff structures for direct load control should also be considered to enhance customer engagement and satisfaction.

Which parts of our large business tariffs are the hardest to understand?

The Energy Reference Group has identified several key areas where large business tariffs can be improved for better understanding and efficiency.

Simplification of Tariff Components

The most challenging aspects of the current large business tariffs are the demand charges and the Summer Demand Incentive Charge (SDIC). These elements are complex because businesses must accurately forecast their peak demand and manage usage, particularly during the summer months. Simplifying the calculation process and providing clear guidance on managing peak demand would greatly enhance comprehensibility.

Improving Alignment Between Consumption and Charges

Large businesses often face difficulties with fluctuating demand charges due to short-term spikes in consumption. Restructuring these tariffs to mitigate the impact of such spikes could offer more predictability and fairness in billing, thereby aiding businesses in better managing their energy costs.

Adapting to Energy Transition

As the energy transition accelerates, it is crucial to consider whether incentives should also be applied to reduce usage during winter, especially with increased electrification. This approach will ensure businesses are adequately incentivised year-round.

Practical Understanding

While some members of our group are familiar with these tariffs, there is a view that the demand-based tariffs, particularly the SDIC, require further clarification. Providing more intuitive names and straightforward explanations will help in fostering a broader understanding among all stakeholders.

What are alternative tariff structures that would work for customers, especially in large business tariff categories?

The Energy Reference Group underscores the importance of balancing simplicity, customer control, and network compatibility in designing alternative tariff structures for large business customers. The Group offers the following consolidated feedback regarding alternative tariff structures for large business customers:

1. Capacity-Based Tariffs: Implementing a capacity-based tariff, where businesses pay based on their required capacity rather than actual usage peaks, could help reduce the unpredictability of demand charges. This structure would provide large businesses with greater control over their costs.

2. Real-Time Pricing: For businesses equipped with sophisticated energy management systems, real-time pricing that reflects actual network conditions could encourage more efficient energy use. This setup incentivises businesses to reduce consumption during high demand periods, leading to both cost savings and network benefits.

3. Simplicity and Network Compatibility: While simplicity in tariff structures is essential, it is equally important to ensure that these structures are compatible with the network's needs, particularly given the significant load that large customers can create.

4. Solar Energy Utilisation: Encouraging solar soak during relevant hours could be particularly beneficial as more solar installations come online. Exploring options for large customers to utilise unused solar energy, such as storing excess capacity in community batteries, could offer financial remuneration and green accreditation for their efforts.

5. Direct Engagement: Further direct engagement with this customer class is recommended to better understand their specific needs and preferences.

6. Fixed Tariff Options: Considering a fixed tariff that accounts for Jemena's cost risk could offer businesses a more predictable budgeting framework.

Smart Metering (Chapter 10)

What do you think about our proposed approach to meter replacement in the next regulatory period?

The Energy Reference Group support the strategic replacement of ageing Advanced Metering Infrastructure (AMI) meters and the extension of replacement timeframes to ensure prudent use of resources. We find the proposed approach to meter replacement both reasonable and well-structured. Aligning in-person inspections with meter replacements is deemed highly efficient, and we appreciate the proactive stance on maintaining compliance with new smart meter inspection obligations.

We also stress the importance of clear communication with the community to alleviate any concerns regarding the meter replacement process. It is crucial to outline the issues, present viable alternatives, and explain the rationale behind the chosen approach to maintain public trust and support.

Furthermore, we recommend a clear alignment of the meter replacement timelines with the three proposed electrification scenarios (High, Medium, Low) and the corresponding upgrades to 3-phase power necessary for increased demand from induction cooktops and electric vehicle chargers.

Do you have other concerns about our metering services that you want us to address?

1. Customer Communication and Scheduling: It is important to give every customer forewarning of the upcoming metering upgrade and the opportunity to reschedule. This will allow customers to combine the truck visit with any planned electrical upgrades, such as moving to three-phase to install a premium induction hob.

2. Data Security and Privacy: Smart meters capture vast amounts of data. While this data supports valuable products and services, it is crucial to ensure that customer privacy is maintained. We recommend addressing potential data security risks and taking steps to ensure compliance with privacy regulations.

3. Cost Transparency: While the overall revenue requirement is forecast to decrease, it is essential that the associated costs of smart meter services are transparent to customers. Ensuring clarity on how price reductions will be reflected in customer bills will help build trust.

4. Customer Experience during Meter Replacement: As ageing AMI meters are replaced, there may be interruptions in service. It is vital to inform customers about the process and minimise disruptions, particularly with the recent rise in people working from home. Clear communication should be prioritised to avoid confusion.

5. Future-proofing Smart Meters: With the rapid advancement of technology, it is important to ensure that the new smart meters are future-proof. They should be adaptable to upcoming technologies, new tariff options, or standards to avoid frequent replacements. This is needed as there may be future submetering for embedded loads such as dedicated EV circuits within a house.

6. Data Governance and Efficiency: Data governance related to AMI meter data and other network data is underrepresented in the current documentation. We recommend including an assessment of the increase in efficiency, particularly regarding CER management through enhanced data insight capabilities.

Other Services (Chapter 11)

Should we consider any other approaches to managing supply constraints on legacy public lighting types?

To address supply constraints on legacy public lighting types, the Energy Reference Group recommends several approaches:

1. Technology Transition Plan: Accelerate the transition to LED and other emerging lighting technologies. This plan should include a timeline for replacing outdated lighting types with newer, more efficient options, while considering supply chain issues. Identify and consult with Councils and other DNSPs on a couple of low-Kelvin wildlife-compatible products capable of movement sensor brightness adjustment, for local (non-VicRoads) streets. similar to sodium colour and resolve to use these by default. Then focus on replacing all luminaires of highest risk outdated technology

2. Inventory Management: Develop strategies for managing and optimising the inventory of legacy lighting components. This might include stockpiling critical components or identifying alternative suppliers.

3. Collaborative Procurement: Explore opportunities for collaborative procurement with other councils or agencies to leverage economies of scale and secure better supply terms.

4. Flexible Procurement Policies: Implement flexible procurement policies that allow for quick adaptation to changes in supply availability and pricing.

We agree that the proposed approach to managing supply constraints and the impact on light replacement is practical. Another risk mitigation measure could involve collaborating with other distributors to manage the disadvantages of small orders or utilising any excess inventory when available.

Additionally, we seek clarity on the practical steps being taken to incorporate smart capabilities in public lighting, especially given the anticipated increase in public EV charging needs during the next regulatory period. It is crucial to work closely with your public lighting customers to understand their preferences for adopting smart technologies and to reflect these preferences in your proposed programs and plans for the next regulatory period.

Are there other factors that we need to consider in our public lighting program for the next regulatory period?

In the next regulatory period, several key factors should be considered for the public lighting program:

Sustainability Goals: It is crucial to align the public lighting program with broader sustainability goals, including reducing energy consumption and greenhouse gas emissions. This includes colour spectrum selection to minimise disruption to suburban wildlife on local streets, and installing intensity controls to allow reduced and optional operation, as part of efforts to reduce energy consumption and greenhouse gas emissions.

Emerging Technologies: It is essential to stay informed about advancements in lighting technologies and integrate these into the program as they become viable. Examples include smart lighting systems that offer improved efficiency and control.

Regulatory Compliance: Jemena must ensure continued compliance with evolving regulations and standards, such as the Minamata Convention and the Public Lighting Code.

Customer Feedback: Feedback from customers regarding their needs and preferences should be incorporated into the program. This includes standardising lighting levels, implementing smart lighting controls, and considering wildlife-friendly options.

Cost Efficiency: Different lighting solutions and maintenance strategies should be evaluated to balance performance, reliability, and expense effectively.

Additionally, the ability to dim the lamps in multiple steps is vital to adjust the output as the unit burns in and fades. This ensures that the newly installed LEDs are not overly bright.

Should Jemena seek public lighting trial funding through the price reset process to explore implementing new technologies?

The Energy Reference Group reviewed the feasibility and strategic advantages of Jemena seeking public lighting trial funding through the price reset process to explore and implement new technologies.

We unanimously agree that pursuing this funding presents several key benefits:

1. Innovation and Improvement: Securing trial funding could support the adoption of cutting-edge lighting technologies and smart controls, leading to enhanced efficiency and improved functionality of our public lighting systems.

2. Risk Management: By exploring new technologies through controlled trials, Jemena can mitigate risks associated with large-scale implementation and ensure the technology is fully vetted before broader deployment.

3. Partnership Opportunities: Engaging in trial projects opens up opportunities for collaboration with councils, parks departments, and other relevant stakeholders, facilitating the exploration and adoption of innovative solutions.

4. Customer Engagement: Conducting trials will provide valuable insights into customer preferences and needs, allowing us to refine and enhance public lighting services to better meet community expectations.

5. Strategic Planning: Operational demonstration areas, funded through trial grants, can demonstrate the benefits of new technology convincingly, encouraging local government budgeting and planning to incorporate these advancements elsewhere.

Conversely, seeking trial funding may slow the process down considerably, as any funding from local government will be dependent on securing available grants before convincingly proving and demonstrating the benefits.

On balance, the Energy Reference Group recommends that Jemena pursue public lighting trial funding through the price reset process. This approach will drive technological advancements, manage risks effectively, and align with your commitment to innovation and customer satisfaction.

Network Resilience – Draft Plan Addendum

Do you have any feedback on the Network Resilience Addendum and how we are responding to the Independent Panel's recommendations?

We wish to provide the following feedback.

While it may be premature to fully assess how Jemena is addressing the Independent Panel's recommendations tactically, we emphasise that much of this is driven by government policy.

Adjustments to the Service Target Performance Incentive Scheme (STPIS) could be beneficial, potentially reallocating resources from the best-served households to those with the poorest service.

Firstly, there are benefits of being able to focus on temporarily isolating subsets of the network and coordinating Consumer Energy Resources (CERs) during both brief and prolonged disruptions. Acknowledging that managing such isolated sub-networks will require careful technical management of voltage and frequency.

We also recommend that the resilience expenditure be accounted for as operational expenditure (OPEX) rather than capital expenditure (CAPEX) during this regulatory period. As the integration of consumer energy resources progresses, leveraging these resources to enhance resilience could be more efficient than network expansion. Additionally, this approach provides a clearer understanding of how to build out the network once the interactions between consumer energy resources and the grid are better understood.

Furthermore, there are concerns regarding the aggressive pruning of non-bushfire risk trees to mitigate wind-related branch-to-wire shorting risks on uninsulated three-strand arrangements. Council arborists suggest that higher wind levels could equally create debris by snapping branches or entire tree crowns.

In conclusion, the addendum balances the need for optimal network resilience with cost considerations and the ongoing uncertainty surrounding climate change and extreme weather events. We encourage Jemena to consider non-network solutions, including support for locations of last resort for flooding, instead of interpreting Ofgem's Guaranteed Standards of Performance (GSoP) as purely capital-based expenses.