Jemena Electricity Networks (Vic) Ltd

Response to the Price Reset Regulatory Information Notice

Written Response 4.2.2

Information for the 2026-2031 Reset RIN

1. Material assumptions

The regulatory information notice requires:

4.2.2 Provide for each *material* assumption identified in the response to paragraph 4.2.1(b):

(a) its source or basis;

(b) if applicable, its quantum;

(c) whether and how the assumption has been applied and was taken into account; and

#	Assumption	Source and application
1	**Inflation forecast**	JEN adopts the AER's preferred approach to use a five-year geometric average of the Reserve Bank of Australia (**RBA**) forecast headline rate (in its monetary policy statement) for 1 and 2 years ahead and apply a glide path to the mid-point of the RBA target range of 2% to 3% for years 3 to 5.The inflation forecast was applied in the standard control services (**SCS**) post-tax revenue models (see attachment 08-05M). It was also applied to to the Alternative Control Services (**ACS**) Advanced metering infrastructure (see attachment 10-03M), fee-based and quoted services (see attachment 11-03M) and public lighting (see attachment 11-06M)
2	**Real input price growth**	JEN has adopted an approach of using an average of Oxford Economics and placeholder Deloitte-Access Economics (**DAE**) forecasts to estimate real labour costs escalation. JEN has provided Oxford Ecoonomics forecasts at Attachment 05-07 of our regulatory proposal and obtains DAE's real price escalator[1] from the draft 2025-30 regulatory decisions made by the AER in respect of the Queensland Distribition Network Service Providers. The resultant escalator was applied to the trend component of the operating expenditure forecast (included at Attachment 06-03M of our regulatory proposal) and in the labour component of the capital expenditure forecast (included at Attachment 05-10M of our regulatory proposal). This escalator has also be applied to the ACS Advanced metering infrastructure (see attachment 10-03M), fee-based and quoted services (see attachment 11-03M) and public lighting (see attachment 11-06M).
3	**Scale or output related growth in operating expenditure**	JEN's SCS operating expenditure is forecast to increase in line with growth in customer numbers, circuit length and ratcheted maximum demand. The supporting information includes: − Customer numbers: Blunomy Consulting report (Attachment 05-04 of our regulatory proposal) − Circuit lengths: Internal forecast[2] − Ratcheted maximum demand: Blunomy Consulting report . The resulting output was incorporated into the trend component of the operating expenditure forecast in Attachment 06-03M of our regulatory proposal.

1 DAE, *Labour Price Growth Forecasts, Prepared for the Australian Energy Regulator*, 20 August 2024.

2 Circuit lengths forecasts have been developed based on a combination of known network changes (e.g. augmentation projects, where the project scope identifies sections of circuit added or removed) as well as the continuation of the historical trend of the amount of circuit added which is associated with new customer connections.

#	Assumption	Source and application
		Output growth for ACS services was based on customer growth. Advanced metering infrastructure (see attachment 10-03M), fee-based and quoted services (see attachment 11-03M) and public lighting (see attachment 11-06M)
4	**Operating expenditure productivity**	For SCS, the productivity factor has been derived from the AER's March 2019 final decision on operating expenditure productivity growth for all electricity distribution networks operating in the National Electricity Market (**NEM**).[3] The resulting output was incorporated into the SCS trend component of the operating expenditure forecast in Attachment 06-03M of our regulatory proposal. It was also applied to the AMI Smart metering operating expenditure (see attachment 10-03M)
5	**Base year**	JEN has selected FY25 as the base year for the SCS forecast, consistent with AER's approach for adopting an efficient base year that is not impacted by any one-off costs. This is an estimate which will be replaced with actual costs from JEN's annual RINs before the AER's final decision. This has been applied in JEN's SCS operating expenditure forecast. JEN has selected FY25 as the base year for JEN's ACS AMI smart metering services operating expenditure forecast, noting that it is the most current year of audited data when the AER makes a final decision.
6	**Operating expenditure step changes**	JEN is proposing several operating expenditure step changes reflecting changes in the external business environment, as well as legal and regulatory obligations. The costs are developed using techniques specific to each forecast. Details of each step change can be found at Attachment 06-04 of our regulatory proposal. These step changes have been applied in the development of JEN's SCS operating expenditure forecast. JEN also developed several step change for ACS AMI smart metering services as outlined in Attachment 10-01.
8	**Peak demand and customer numbers forecast**	JEN has obtained a peak demand using methds aligned to the Australian Energy Market Operator (**AEMO**) which takes into account environmental, economic and policy factors. JEN has also developed a customer number forecast based on economic and policy objects. The forecast is derived from state government growth estimates in the JEN distribution area. The forecast has been developed by Blunomy and is provided at Attachments 05-03 and 05-04 of our regulatory proposal. This has been applied in the development of JEN's SCS capital expenditure forecast. Customer number growth used for ACS services is consistent with SCS.
9	**Capital expenditure forecast**	JEN utilises bottom-up and top-down estimation methodologies to estimate project and program costs, which are aggregated to form a total capital expenditure forecast on a bottom-up basis. In doing so, JEN utilises information including historical costs and unit rates (contained in our annual RIN responses) and a range of other information (contained in our internal business records). The Value of Customer Reliability (**VCR**) is also used to forecast customer connection capital expenditure. The VCR used was issued in AEMO's report[4] and escalated by CPI. At the time of preparing this regulatory submission, the AER's amended forecast VCR value was not available.

[3] AER, *Final decision paper, forecasting productivity growth for electricity distributors*, March 2019

[4] AEMO, *Value of customer reliability, final report*, September 2014.

#	Assumption	Source and application
		These assumptions have been applied in the development of JEN's SCS capital expenditure forecast. Capital expenditure for ACS follows a similar approach to forecasting SCS capital expenditure (excluding VCR), however, it also takes into account: • Customer preferences to roll out LED light roll-out (for public lighting) – see Advanced metering infrastructure (see attachment 10-03M) • Meter inspection obligations and end of life modelling for meter replacement (for AMI smart metering services) – see public lighting (see attachment 11-06M)

The quantum impacts of each of these assumptions are set out in the capital expenditure forecast model, the operating expenditure forecasting model, and post-tax revenue models forming part of JEN's regulatory proposal.

(d) the effect or impact of the assumption on the *capital expenditure* and *operating expenditure* forecasts in the forthcoming *regulatory control period* taking into account:

(i) the actual expenditure incurred during the current *regulatory control period*; and

(ii) the sensitivity of the forecast expenditure to the assumption.

#	Assumption	Impact of the assumption on the capital and operating expenditure forecasts in the forthcoming regulatory control period
1	**Inflation forecast**	For both SCS and ACS services, inflation does not impact the capital or operating expenditure as the expenditures are presented in real dollar amounts.
2	**Real input price growth**	We explain the impacts of real input price growth on our SCS operating expenditure in Attachment 06-01 of our regulatory proposal (see section 7.2). For each category of ACS, an explanation of real input price growth is provided in: • AMI Smart metering – Attachment 10-01 • Fee Based and Quote Services – Attachment 11-01 • Public Lighting – Attachment 11-02
3	**Scale or output related growth in operating expenditure**	We explain the impacts of scale or output related growth on our SCS operating expenditure in Attachment 06-01 of our regulatory proposal (see section 7.3). For each category of ACS, an explanation of real input price growth is provided in: • AMI Smart metering – Attachment 10-01 • Fee Based and Quote Services – Attachment 11-01 Public Lighting – Attachment 11-02
4	**Operating expenditure productivity**	We explain the impacts of productivity on our SCS operating expenditure in Attachment 06-01 of our regulatory proposal (see section 7.4).

#	Assumption	Impact of the assumption on the capital and operating expenditure forecasts in the forthcoming regulatory control period
5	**Base year**	We explain the impacts of the base year on our SCS operating expenditure in Attachment 06-01 of our regulatory proposal (see section 6). We explain the impacts of the base year on our ACS AMI Smart Metering operating expenditure in Attachment 10-01 of our regulatory proposal.
6	**Operating expenditure step changes**	We explain the impacts of step changes on our SCS operating expenditure in Attachment 06-01 of our regulatory proposal (see section 8). We explain the impacts of step changes on our ACS AMI Smart Metering operating expenditure in Attachment 10-01 of our regulatory proposal.
8	**Peak demand and customer numbers forecast**	Peak demand is an input into our growth-related augmentation capital expenditure, and we explain its impact in Attachment 05-01 of our regulatory proposal. Customer numbers are used as inputs into: • our connections capital expenditure – we explain its impact in Attachment 05-01 • our growth-related operating expenditure – see para 3 above • ACS AMI Smart mertering services (see attachment 10-01) • ACS Fee based services (see attachment 11-01) • ACS Public Lighting growth (see attachment 11-02).
9	**Capital expenditure forecast**	Because we develop our capital expenditure forecast on a bottom-up basis, unit rates contribute to the construction of the overall capital expenditure proposal amount for both SCS and ACS services. The VCR is an input into some parts of our SCS capital expenditure forecast.