

# PROCEDURE

## CUSTOMER CONTRIBUTION REVENUE FORECASTING METHODOLOGY

ELE 999-PR-IN-004

Revision Number: 2

Revision Date: 5/12/2024

### AUTHORISATION

#### REVIEWED BY

Name	Job Title	Signature	Date
John Parastatidis	Asset Investment Analyst		December 2024

#### Approved by

Name	Job Title	Signature	Date
David Spears	Network Investment and Delivery Manager		December 2024

### INTERNAL

© Jemena Limited. All rights reserved. Copyright in the whole or every part of this document belongs to Jemena Limited, and cannot be used, transferred, copied or reproduced in whole or in part in any manner or form or in any media to any person other than with the prior written consent of Jemena.

Printed or downloaded copies of this document are deemed uncontrolled



## DOCUMENT HISTORY

---

Revision	Date	Author	Description of Changes
1	25/07/2024	John Parastatidis	First issue.
2	5/12/2024		Incorporate AER Guidance Note

---

## OWNING FUNCTIONAL GROUP & DEPARTMENT / TEAM

---

Asset and Operations : Network Investment and Delivery

---

## REVIEW DETAILS

---

Review Period: Review Date + 2 years

---

Next Review Due: December 2026

---

TABLE OF CONTENTS

1	INTRODUCTION.....	4
1.1	PURPOSE .....	4
1.2	OBJECTIVES .....	4
1.3	REGULATORY CONTEXT.....	4
1.4	SCOPE .....	5
1.4.1	OUT OF SCOPE .....	5
1.5	FORECASTING PROCESS .....	5
1.5.1	CHAPTER 5 CONNECTIONS .....	5
1.5.2	CHAPTER 5A CONNECTIONS.....	5
1.6	CONTRIBUTION FORECAST .....	6
1.7	TERMS & DEFINITIONS .....	7

## 1 INTRODUCTION

Customers regularly request Jemena Electricity Networks (Vic) Ltd. (JEN) to provide new or upgraded connections and augment the network in order to facilitate new customer connections and relocate assets. This customer-initiated work requires the connecting customer to contribute to the cost of the capital works undertaken to ensure that the costs are not borne by the shared customer base (i.e., a causer pays system). A forecasting exercise is undertaken to assess the capital cost of the build and calculate the customer contribution that is expected from the works.

JEN will receive revenue from these connection offers. To comply with accounting practices, fulfil board obligations, and submit an application under the Electricity Distribution Price Review process, JEN must forecast its expected capital contributions revenue.

### 1.1 PURPOSE

---

To outline the process of forecasting the customer contributions for network augmentation, new connections and asset relocations.

### 1.2 OBJECTIVES

---

The objective of this document is to describe the approach to forecasting capital contribution revenue. The forecast is used for business reporting on a monthly basis, as an input into the annual budgeting process, and to meet its obligations to submit an application under the Electricity Distribution price Review process.

### 1.3 REGULATORY CONTEXT

---

JEN is licensed to distribute electricity in the state of Victoria. As a licence condition, JEN has a range of legal and regulatory obligations when it comes to connecting or upgrading a customer's requested supply; these include:

- The National Electricity Rules (**NER**), in particular, chapter 5 and chapter 5A.

With respect to Chapter 5A Negotiated Connection offers, JEN is obligated to make an offer to connect customers under NER clause 5A.F.4, which means that it cannot refuse to make an offer. Once the customer accepts an offer, JEN is then obligated to connect the customer to the shared electricity distribution network and is entitled to seek payment for the offer made.

Under NER clause 5A.C.4(a), JEN is entitled to recover a reasonable fee to cover expenses in assessing the applicant's application and making a connection offer.

- The Australian Energy Regulators (**AER**)'s Connection Charges Guideline.

JEN is required to calculate a capital contribution according to the method outlined in this guideline. This document articulates the method for forecasting capital contributions revenue in the context of this guideline's methodology.

We also note the AER's Guidance Note *Reporting capital contributions* requests that all Type 1 capital contributions that are delivered in a period of greater than 12 months and are above \$200,000 be reported on an as-incurred basis.<sup>1</sup>

(Note: these are the obligations as limited to those within scope as outlined in section 1.4. the legal and regulatory obligations for out-of-scope connections are outlined in section 1.4)

## 1.4 SCOPE

---

The scope of this document covers the forecasting of capital contributions revenue from customers connecting under NER Chapter 5A as Negotiated Connections. It does not include the revenue attributed to the reasonable fee charged for assessing a connection application (as available under 5A.C.4(a)).

### 1.4.1 OUT OF SCOPE

Connection offers for Basic and Standard connections, and the charges to connect under these types of arrangements, are outlined in:

- JEN's Model Standing Offer, *and*
- The Electricity Distribution Price Review – Alternative Control Services charges.

It also exclude Chapter 5 connections.

The approach to forecasting revenue from these connection services is outside of the scope of this document. The approach to forecasting these revenues is covered in other budgetary forecasting process.

## 1.5 FORECASTING PROCESS

---

### 1.5.1 CHAPTER 5 CONNECTIONS

Chapter 5 type connections are very large and involve complex interactions with the Australian Energy Market Operator (**AEMO**). Connections under Chapter 5 of the NER are calculated on an individuation basis and fully recovered from the connection applicant. For the purposes of forecasting revenue attributed to these types of connections, we take the full project cost as the forecast revenue.

### 1.5.2 CHAPTER 5A CONNECTIONS

The Network Investment and Delivery team manage the customer contribution forecast by taking into consideration:

- a) Business As Usual (BAU) activities such as:
  - a. elective undergrounding;
  - b. minor customer projects; and
  - c. contributions in kind;
- b) Customer contributions of significant projects; and
- c) Fees associated with Feasibility Studies and Firm Offers

The Network Investment and Delivery Manager is accountable for maintaining the forecasted customer contributions for medium and large customer-initiated capital projects.

---

<sup>1</sup> AER, *Reporting capital contributions, AER Guidance Note for electricity distributors*, November 2024.

This commences with a review of the historical customer contributions for BAU activities to determine a future forecast.

Where a customer offer has not yet been issued or a customer contract is not yet in place, the Network Investment and Delivery team will determine a forecasted customer contribution value based on a) the project's capital expenditure and b) the project category.

The Network Investment and Delivery Manager formally reviews the forecast and updates it with the most recent information as it becomes available.

## 1.6 CONTRIBUTION FORECAST

The process for determining capital contribution forecasts and the timing for recognising them is based on the approach outlined in the AER's guidance note<sup>2</sup> In essence:

- A contribution percentage is determined based on historical data
- The contribution forecast is determined by applying the above percentage to the connection capital expenditure as incurred.

The table below shows the project category and the indicative contribution percentage.

**Table 1–1: Categories and Contributions**

Project Category	Typical Contribution %
Routine BAU work	43.00%
Asset Relocations-CR	100.00%
Medium Sized Business supply <= \$5m CAPEX	70.00%
Large Industrials >\$5M CAPEX	50.00%
Data Centres	72.90%
Not applicable	0.00%
Fully Recoverable	100.00%

For high-volume projects, different contribution rates apply these are outlined in the table below.

**Table 1–1: Categories and Contributions**

Project Category	Code	Typical Contribution %
Medium Density Housing LV ext	A3	21.32%
MEDIUM DENSITY HOUSING - HV EXTENSION	A334	24.69%
BUS. SUPPLY PROJECT>10KVA - KIOSK SUBS.	A341	72.29%
BUS. SUPPLY PROJECT>10KVA - POLE SUBS.	A343	94.33%
BUS. SUPPLY PROJECT>10KVA - LV EXTENSION	A337	93.85%
CAPITAL/REC WORKS - SUBTRANS ASSET	A318	89.64%
CAP REC WORKS - IN LINE POLES / STAYS	A319	55.98%

<sup>2</sup> AER, *Reporting capital contributions, AER Guidance Note for electricity distributors*, November 2024.

<b>Project Category</b>	<b>Code</b>	<b>Typical Contribution %</b>
CAP REC WORKS - SUBS. MODIFICATION	A322	95.68%
CAP REC WORKS - UNDERGROUNDING OF ASSETS	A323	69.73%

## 1.7 TERMS & DEFINITIONS

<b>Term</b>	<b>Definition</b>
BAU	Business As Usual
FEED	Front End Engineering Design