



Jemena Electricity Networks (Vic) Ltd

2026–31 Electricity Distribution Price Review Regulatory Information Notice Response

Attachment 4

Basis of Preparation



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Glossary

ABS	Australian Bureau of Statistics
Actual Information	As defined in the RIN
AER	Australian Energy Regulator
Audited Statutory Accounts	As defined in the RIN, JEN's Financial Statements are Audited Statutory Accounts
BI	Business Intelligence
BO	Business Objects
BW	Business Warehouse
CAM	Cost Allocation Methodology
Capex	Capital Expenditure
CPI	Consumer Price Index
ERP	Enterprise Resource Planning
Estimated Information	As defined in the RIN
Financial Statements	JEN's regulatory financial year financial accounts for that were prepared and independently audited for the Previous RIN Responses.
GIS	Geographical Information System
I&C	Industrial and Commercial
ICT	Information & Communications Technology
JAM	Jemena Asset Management Pty Ltd
MAT	Maintenance Activity Type
Opex	Operating Expenditure
PMO	Plant Maintenance Orders
PTRM	Post-Tax Revenue Model
Regulatory Templates	The workbooks issued by the AER as part of the Reset RIN.
RIN	Regulatory Information Notice
RIN Table	Each table and sub-table in the Regulatory Templates.
SaaS	Software as a Service
SAP	JEN's financial system and current ERP system
WBS	Work Breakdown Structure
Zinfra	Zinfra Pty Ltd
ZNX(2)	ZNX (2) Pty Ltd

Overview

The Australian Energy Regulator (**AER**) served the '2026–31 Electricity Distribution Price Review Regulatory Information Notice' (**Reset RIN**) on Jemena Electricity Networks (VIC) Limited (**JEN**) under the National Electricity Law (**NEL**) on 17 October 2024. The information required to be submitted includes information specified in the written notice and also it requires information to be provided in up to eight spreadsheet templates (**Regulatory Templates**).

JEN is only required to complete the recast Economic Benchmarking and Category Analysis workbooks (6 & 7) under clauses 3.1.5-6 of the Reset RIN, if there are changes to cost allocation or service classification that would materially change previously reported amounts. We have not completed workbooks 6 or 7 as the threshold set by clauses 3.1.5 has not met. We have also opted to not use workbook 8 to report demand information.

The templates we have populated and submitted in our RIN response are:

- Regulatory Template 1: Forecast
- Regulatory Template 2: Historical
- Regulatory Template 3: Efficiency Carry-over Mechanism
- Regulatory Template 4: Capital Expenditure Sharing Scheme
- Regulatory Template 5: Indicative Bill Impact

All information which is required to be provided in response to the Reset RIN is to be delivered to the AER electronically via the AER's secure file transfer service (or such other method as reasonably specified by the AER), on or before 31 January 2025.

An updated version of the information which is required to be provided on 31 January 2025 in response to sections 4.4.4 and 4.4.5 of the Reset RIN, must also be provided on or before the date JEN submits a revised regulatory proposal to the AER, or on or before 30 November 2025, if it does not submit a revised regulatory proposal.

Basis of Preparation

Section 5 of the Reset RIN requires JEN to prepare a Basis of Preparation which specifies the requirements – this report is the Basis of Preparation. As required by section 5.2 of the Reset RIN, it explains the source, assumptions and methodologies used to provide the historical information in Regulatory Templates. The Reset RIN does not require JEN to prepare a Basis of Preparation for the forecast information.

JEN's Basis of Preparation is structured to reflect the Regulatory Templates that require a Basis of Preparation, with the chapter and section headings reflecting the same headings used in the Regulatory Templates. Under each heading there is a table which explains, for each template variable:

1. Demonstrates how the information provided is consistent with the requirements of the Reset RIN.
2. Explains the sources, methodology & assumptions JEN used to provide the information.
3. Explains where **Actual Information** could not be provided and why the **Estimated Information** provided by JEN is the best estimate.

4. Identifies whether information in a Regulatory Template is confidential information, protected information (as defined in the Security of Critical Infrastructure Act 2018) or whether the information has been previously submitted and audited.

Historical information reported in the Regulatory Templates

JEN has provided historical information for the FY20 to FY24 years to the AER in response to other Regulatory Information Notices ('the **Previous RINs**') the AER issued to JEN. We have referred to JEN's responses to the Previous RINs collectively as '**the Previous RIN Responses**'.

For these Regulatory Templates, JEN has taken the following approach to report data that was previously reported:

- The historical information submitted in the Previous RIN Responses was copied in the Regulatory Templates where the Reset RIN requested the same information.
- Undertaken high level checks to ensure the data is a good representation of the metric the Reset RIN requires.
- The disaggregated capex information reported in the Regulatory Templates for each category was reconciled with the total capex information reported in the Previous RIN Responses.

Financial and Regulatory Reporting Periods

JEN's financial and regulatory reporting years are currently offset by 6 months¹ with the financial year closing annually on 31 December and the Regulatory Financial Year (**FY**) closing on 30 June. Therefore, a set of accounts for the regulatory years FY2021 to FY2024 were prepared and independently audited when preparing the Previous RIN Responses ('the **Financial Statements**').

The Financial Statements established a point of reference for the financial information reported in the Previous RIN Responses. The capital expenditure (**Capex**) and operating expenditure (**Opex**) reported in the Regulatory Templates submitted in the Previous RIN Responses were reconciled to the Financial Statements and audited as part of the Previous RIN Response.

The Financial Statements created for the Previous RIN Responses are captured by the definition of '**Audited Statutory Accounts**' in the Reset RIN and where the Reset RIN refers to 'Audited Statutory Accounts' our Reset RIN response has applied those requirements to JEN's Financial Statements.

The historical financial information in the Regulatory Templates submitted as part of this Reset RIN response is also based on the information from the Financial Statements.

The principles underpinning the financial information presented in the Reset RIN response are in line with JEN's accounting procedures and the Australian Accounting Standards where appropriate. There are no material departures from the recognition and measurement aspects of JEN's accounting procedures.

Capitalisation to JEN's asset base is in accordance with JEN's internal capitalisation procedures, with a copy of them included in the supporting documents submitted with the Reset RIN Response.²

¹ The year ends for JEN's financial reporting over the RIN reporting period were 31 December 2018, 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

² Jemena, Policy: Property, Plant & Equipment (JAA FIN GU 0012), 29 August 2022 and Jemena, Capitalisation Policy: Intangible Assets (JAA FIN GU 0013), 29 August 2022.

The allocation of shared and other costs to JEN is based on the Jemena Cost Allocation Methodology (**CAM**)³ and the principles of the JEN CAM to allocate costs to distribution services.

Common methodology used to populate Regulatory Templates

JEN's cost collection and financial recording methodology processes for the underlying data reported throughout the Regulatory Templates have consistent elements. We have not duplicated the explanation of the common elements of the reporting methodology for each RIN Table. We have provided Appendices A to explain it once and provided cross references to the relevant Appendices in each section of this Basis of Preparation, where relevant.

³ Jemena, JEM FIN PR 0002 - Cost Allocation Methodology, June 2019 (AA proposal Attachment 6.5)

Workbook 2 – Historical

4.2 METERING – CAPEX

4.2.4 - METERING CAPEX

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY20-FY24			
Meter related costs	Actual Public	<p>JEN used its ERP system (SAP) to capture costs associated with capital expenditure.</p> <p>Project cost information is extracted from SAP's business warehouse (BW) using a data extraction tool, Business Objects (BO) and exported into Excel.</p> <p>JEN executes the BO Reports that are associated with the templates, based on the report selection criteria.</p> <p>The report output provides the data required by the table in this template.</p>	The information was reported directly from JEN's SAP system and is therefore actual information.
Asset disposal income	N/A	JEN does not have any asset disposal income for the reporting period.	N/A
Capital contributions	N/A	JEN does not have any capital contributions income for the reporting period.	N/A

4.2.5 - METER POPULATION – AT END OF YEAR

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY20-FY24			
Meter population – at end of year	Actual Public	<p>All the data has been based on actual information previously reported in the Category Analysis RINs for prior years.</p> <p>The only additional information that has not been captured and reported in prior years Category Analysis RINs is the volume of “<i>single-phase two-element meters</i>”, which is a subset of single-phase meters.</p> <p>The proportion of <i>single-phase two-element</i> meters compared to other meters does not change significantly over time. Based on the BO ASM439 report, <i>single-phase two-element</i> meters make up 7% of the total AMI meter population (or 8% of the total single-phase meter population) as at 1 July 2024. These proportions were used to estimate the volume of single-phase two-element meters for the prior year.</p>	Information reported in this template is actual information reported in Category Analysis RINs. The reported volumes of “single-phase two-element meters” which are a subset of “single-phase meters” were allocated and are also considered to be actual information as the allocation should be very close to actual volumes.

4.2.6 – METER ACTIONS BY METER TYPE

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY20-FY24			
New meter installations – growth	Actual Public	<p>The total number of new meters installed is actual information reported in the Category Analysis RINs for each year, which was based on extracted actuals from the Jemena SAP Asset Management System.</p> <p>The breakdown of the total number into the meter categories was calculated by the proportion of meters in each category based on the BO ASM439 report as at 1 July 2024.</p>	The information reported in this table is actual information because it is based on actual information reported in the Category Analysis RINs and the calculation of the breakdown is based on actual proportions of meters in SAP.
Refurbished meters	Actual Public	The total number of new meters maintained (or refurbished) is actual information reported in the Category Analysis RINs for	The information reported in this table is actual information because it is based on actual information reported in the Category

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
		<p>each year, which was based on extracted actuals from the Jemena SAP Asset Management System.</p> <p>The breakdown of the total number into the meter categories was calculated by the proportion of meters in each category based on the BO ASM439 report as at 1 July 2024.</p>	<p>Analysis RINs and the calculation of the breakdown is based on actual proportions of meters in SAP.</p>
Replacement meters – end of life	Actual Public	<p>JEN had no end-of-life activities during the reporting period and therefore have reported all variables as zero.</p>	<p>The information reported in this table is actual information as it represents a true report of no activity.</p>
Replacement meters – failures and faults	Actual Public	<p>The total number of whole meters replaced is actual information reported in the Category Analysis RINs for each year, which was based on extracted actuals from the Jemena SAP Asset Management System.</p> <p>The breakdown of the total number into the meter categories was calculated by the proportion of meters in each category based on the BO ASM439 report as at 1 July 2024.</p> <p>JEN is unable to report meter component replacements, so table D2 has been left blank in accordance with clause 6.7.4 of Appendix A to the Notice.</p>	<p>The information reported in this table is actual information because it is based on actual information reported in the Category Analysis RINs and the calculation of the breakdown is based on actual proportions of meters in SAP.</p>
Abolishment	Actual Public	<p>The volumes are actuals reported from Jemena SAP ISU (for AMI meter abolishments) and SAP ERP for non-AMI Type 6 accumulation meter abolishments.</p> <p>In SAP ISU, the IW39 transaction (order type ZRSW) is used to provide the list of abolishment order numbers that have attendance dates in the specified year. IW49 provides meter category information for all order numbers. Vlookup is used to augment the abolishment orders (output of IW39) with an output of IW49 to get the number of abolishments with meter categories that were removed during a given year.</p> <p>The same procedures are then repeated in SAP ERP to get the number of abolishment with non-AMI accumulation Type 6 meters.</p>	<p>The information reported in this table is actual information because it is based on actual volumes captured and reported in Jemena SAP systems against each meter category for the specified time period and activity type.</p>

4.2 METERING – ICT

4.2.7 - ICT PROJECTS CAPEX

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY20-FY24			
Communication projects IT projects Other projects	Actual Public	<p>JEN uses its ERP system (SAP) to capture costs associated with capital expenditure.</p> <p>Project cost information is extracted from SAP's business warehouse (BW) using a data extraction tool, Business Objects (BO) and exported into Excel.</p> <p>JEN executes the BO Reports that are associated with the templates, based on the report selection criteria.</p> <p>The report output provides the data required by the table in this template.</p> <p>Note: JEN has no costs in the OTHER ICT PROJECTS category.</p>	The information in this table is actual information as it is reported directly from JEN's SAP system.

4.2.8 – EQUIPMENT POPULATION – AT END OF YEAR

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY20-FY24			
Equipment population – at the end of year	Actual Public	<p>The equipment population was sourced from JENs AMI Network Management System (AMI NMS) reports.</p> <p>JEN does not track the population of antennas as they are low-cost consumable items. Not all meters have an antenna as they are installed at the discretion of meter installers as part of meter commissioning. JEN is unable to report the population of antennas as it does not have the data.</p>	The information reported in this table is actual information because it was reported directly from JENs AMI Network Management System.

7.4 SHARED ASSETS

7.4.1 – TOTAL UNREGULATED REVENUE EARNED WITH SHARED ASSETS

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY20-FY24			
Total unregulated revenue earned with shared assets	Actual Public	JEN uses SAP General Ledger to capture revenue. The data agrees to underlying trial balances (TB) and supporting documents. Data is extracted from SAP's general ledger and exported into Excel. The report output provides the data required by the table in this template.	The information reported in this table is actual information as it is reported from JEN's General Ledger.

7.4.2 – SHARED ASSET UNREGULATED SERVICES - APPORTIONMENT METHODOLOGY

JEN does not have an apportionment methodology because the revenue data does not require apportionment. This table has been left blank.

Workbook 3 – EBSS

Efficiency Carryover Mechanism

ACTUAL AND ESTIMATED INFLATION

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY19-FY24			
Actual inflation (ABS/CPI index – December/June)	Actual Public	Directly from the AER's RIN Template	All data prior to FY24 is actual.

7.5.1 – THE CARRY OVER AMOUNTS THAT ARISE FROM APPLYING THE ECM DURING THE CURRENT REGULATORY CONTROL PERIOD

7.5.1.2 – Actual and estimated opex applicable to EBSS

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY19-FY24			
Total opex	Actual Public	<p>The Total Opex disclosed is for Standard Control Services only and was sourced directly from the previous annual RIN with a single adjustment. The Total Opex was adjusted to remove the SaaS expenditure that was moved to Capex in the RIN reports.</p> <p>In April 2021, the International Financial Reporting Standards (IFRS) Interpretations Committee released a guidance note requiring SaaS implementation costs to be treated as opex. When the 2021-26 allowances were determined for JEN, these costs were classified as capex. To ensure our reported actuals and allowances are comparable based on consistent accounting treatments, the AER provided guidance for Jemena to continue applying the old accounting treatment (i.e. capitalising SaaS</p>	The data is Actual Information as it was directly sourced from the Annual RIN Table 8.4.1.

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information								
		<p>implementation costs) for the current regulatory period 2021–26 and apply the new accounting treatment from the 2026–31 period.</p> <p>Our Annual Reporting RIN classifies the SaaS implementation costs as opex aligning to the new IFRS treatment. We have therefore adjusted our opex for the 2022–26 period to remove the SaaS costs in opex in line with the AER’s guidance, ensuring actuals and allowances are treated consistently in the regulatory models.</p> <p>The Total Opex variable was sourced directly from the previous annual RIN with a single adjustment. The Total Opex variable was adjusted to exclude the SaaS expenditure that was moved from capex in the RIN reports as explained in the Total Capex variable of Workbook 4 CESS. The amount of adjustment is outlined in the table below.</p> <table border="1"> <thead> <tr> <th>SCS \$Nom (mid yr)</th> <th>FY21/22</th> <th>FY22/23</th> <th>FY23/24</th> </tr> </thead> <tbody> <tr> <td>SaaS adjust.</td> <td>\$4.47M</td> <td>\$2.11M</td> <td>\$1.30M</td> </tr> </tbody> </table>	SCS \$Nom (mid yr)	FY21/22	FY22/23	FY23/24	SaaS adjust.	\$4.47M	\$2.11M	\$1.30M	
SCS \$Nom (mid yr)	FY21/22	FY22/23	FY23/24								
SaaS adjust.	\$4.47M	\$2.11M	\$1.30M								
Other variables	N/A	N/A	N/A								
Approved excludable costs (DMIA & GSL)	Actual Public	The DMIA and GSL cost are sourced directly from the previous annual RIN.	The data is Actual Information as it was directly sourced from the Annual RIN Table 7.11.2 for DMIA and Table 6.9.1 for GSL.								
Capitalised opex that has been excluded from the RAB	N/A	N/A	N/A								
Movements in provisions related to opex	Actual Public	The Movements in provisions related to opex was sourced directly from the previous annual RIN.	The data is Actual Information as it was directly sourced from the Annual RIN Table 3.2.3								

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
Other adjustments or exclusions required by the EBSS	N/A	N/A	N/A

7.5.2 – PROPOSED FORECAST OPEX FOR THE EBSS FOR THE FORTHCOMING REGULATORY CONTROL PERIOD

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY24			
N/A	N/A	N/A	N/A

Workbook 4 – CESS

INPUT | INFLATION AND DISCOUNT RATE

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
FY22-FY24			
Actual CPI inflation rate (DNSP)	Actual Public	Data was copied from the Australian Bureau of Statistics (ABS), all groups CPI inflation series A2325846C, weighted average for the eight capital cities (Dec quarter, lagged).	The data is Actual Information as it was directly sourced from the ABS CPI series A2325846C
Actual CPI inflation rate (AER)	Actual Public	These values were sourced from the AER’s determination models.	This data is Actual Information as it was directly sourced from the AER determination models.
Real vanilla WACC (DNSP/AER)	Actual Public	These values were sourced from the AER’s determination models.	This data is Actual Information as it was directly sourced from the AER determination models.

INPUT | ACTUAL/ESTIMATE CAPEX

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information		
FY22-FY24					
Total capex (includes customer contributions)	Actual Public	The Total Capex variable was sourced directly from the previous annual RIN with a single adjustment. The Total Capex variable was adjusted to include the SaaS expenditure that was moved to opex in the RIN reports as explained in the Total Opex variable of Workbook 3 EBSS. The amount of adjustment is outlined in the table below.	The data is Actual Information as it was directly sourced from the Annual RIN Table 8.2.4.		
		SCS			
		\$Nom (mid yr)		FY21/22	FY22/23
		SaaS adjust.	\$4.47M	\$2.11M	\$1.30M

Variable	Information	Source, Methodology & Assumptions	Actual & Estimated Information
Customer contributions and asset disposals	Actual Public	The Customer Contributions which are only type 1 contributions and Asset Disposals variables were sourced directly from the Previous RIN Responses.	The data is Actual Information as it was directly sourced from the Annual RIN Table 8.2.5.B and 8.2.6.
Other excludable capex	N/A	N/A	N/A

Appendix A: Cost collection process

Capex

JEN outsourced the delivery of its distribution network capex to Jemena Asset Management Pty Ltd (**JAM**), a related entity. As the group entity that collects costs and transfers them on behalf of other related entities within the Jemena Group⁴. JAM uses a SAP ERP system to capture costs (Jemena's SAP system).

In SAP, costs are captured under different categories, known as Plant Maintenance Orders (**PMO**), which then cascade up to a higher level of category, known as Work Breakdown Structures (WBS). The WBS structures used by entities within the Jemena Group have unique prefix identifiers that identify the specific entity within the Jemena Group e.g. JEN is 'BAA'.

The WBS codes and Cost Element codes were used as the basis to directly attribute the capex costs into the Capital Expenditure Purposes (e.g. Connections, Replacement, Augmentation, Non-network, etc).

At times where the master data in the WBS element was not clear, JEN reviewed the data and data extracts and manually attributed the capex costs to the most appropriate Capital Expenditure Purpose.

Opex

Financial data was sourced from Jemena's SAP system that JEN and its related entities use to capture its Financial and most Non-Financial information. JEN outsourced the delivery of its distribution network opex to **JAM**, a related entity. JAM acts as the entity that collects costs and transfers them on behalf of other related entities within the Jemena Group.

JAM uses SAP functionality to capture expenditure at the micro and macro levels. Plant Maintenance Orders (**PMO**) capture expenditure at the micro level and which then cascade up to Work Breakdown Structures (**WBS**) and ultimately to a Project (highest level of project cost collector). The WBS structures used by entities within the Jemena Group, have unique prefix identifiers that identifies the specific entity within the Jemena Group e.g. JEN is 'BAA'.

The WBS structures in both JEN & JAM contain master data coding that enables the categorisation of opex into the AER defined categories. Standard SAP reports and Business Intelligence (**BI**) tools are used to extract raw opex data that contains information to enable the reporting into the regulatory categories defined by the templates.

Where the master data was unclear, the most appropriate reporting category was assigned manually.

Overhead Costs

All overhead (corporate and network) costs were incurred via JAM, similar to network costs. Overhead costs were attributed to JEN and the other entities using the Jemena Cost Allocation Methodology and JEN Cost Allocation Methodology process or specific drivers for specific projects.

Allocated overhead costs are identified in JEN's **ERP** by WBS in Opex and by the cost element code in Capex. Overhead costs that relate to network activity or directly support network activity are considered to be Network Overheads expenditure. Network Overheads also include Zinfra Management Fees. Other overhead costs that relate to general corporate activities are considered to be Corporate Overheads.

After overhead costs are attributed to JEN a portion of the costs are capitalised to assets using the JEN's internal capitalisation procedure.

⁴ The Jemena Group includes SGSP (Australia) Assets Pty Ltd (SGSPAA) and its subsidiaries excluding Zinfra Pty Ltd and its subsidiaries. Jemena Group costs may include charges from Zinfra Pty Ltd and its subsidiaries where they relate to JEN.
