



# Jemena Electricity Networks (Vic) Ltd

## JEN 2025-26 Pricing Proposal



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JEN 2025-26 Pricing Proposal

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## Table of contents

<b>1.</b>	<b>Introduction .....</b>	<b>1</b>
1.1	JEN's pricing approach.....	1
1.2	Submission structure and rule compliance .....	1
<b>2.</b>	<b>Tariff classes and tariffs.....</b>	<b>7</b>
2.1	Distribution use of system services.....	7
2.2	Alternative control services (ACS) .....	8
2.3	Sub-threshold tariffs.....	8
<b>3.</b>	<b>Approach to setting tariffs .....</b>	<b>10</b>
3.1	Stand-alone and avoidable costs for each tariff class.....	10
3.2	Long-run marginal cost.....	11
3.3	Remaining pricing principles in the Rules .....	12
<b>4.</b>	<b>Pricing proposal elements .....</b>	<b>15</b>
4.1	Price variation elements .....	15
4.2	Comparison to indicative prices .....	15
<b>5.</b>	<b>Designated pricing proposal, pass-throughs and jurisdictional scheme outcomes .....</b>	<b>17</b>
5.1	Tariff variation for pass-throughs .....	17
5.2	Designated pricing proposal costs.....	18
5.3	Jurisdictional scheme recoveries.....	19

## List of tables

Table 1–1:	JEN 2025-26 pricing proposal submission document suite .....	2
Table 1–2:	Rule compliance submission references .....	2
Table 2–1:	Tariff classes for standard control DUoS services.....	7
Table 2–2:	Alternative control services tariff classes.....	8
Table 3–1:	Stand-alone & avoidable cost estimates compared to expected DUoS revenue (\$M, 2025-26) .....	10
Table 3–2:	JEN LRMC estimates .....	11
Table 3–3:	Discount applied to cost-reflective residential tariffs.....	11
Table 3–4:	Proposed typical customer bill impacts (\$, nominal).....	14
Table 4–1:	JEN annual SCS price variation elements.....	15
Table 5–1:	Unpaid charges resulting from retailer insolvency events .....	17
Table 5–2:	Estimated TUoS revenue increase (\$M, nominal).....	18



# 1. Introduction

In developing our tariffs for the current regulatory period (1 July 2021 to 30 June 2026), Jemena Electricity Networks (Vic) Ltd (**JEN**) engaged with customers, stakeholders, and the community to better understand what they want and value and to help us make decisions that reflect their priorities and long-term interests.

Customers may not see our network tariff itemised on their electricity bill, as retailers incorporate our tariffs in their end prices and charges, along with the other costs of generating and supplying electricity. This submission (this document, its attachments and appendices combined, known as the **annual pricing proposal**) aims to provide greater visibility to customers and other stakeholders on our network tariffs applicable from 1 July 2025 to 30 June 2026.

Like most energy distribution network businesses in Australia, our network tariffs are regulated by the Australian Energy Regulator (**AER**). The AER reviews our network tariffs to check that they comply with the requirements of the National Electricity Rules (**NER or the Rules**) and ensure that they promote the long-term interests of customers.

NER 6.18.2(a)(2) requires that JEN submits an annual pricing proposal to the AER three months before the commencement of the second and each subsequent regulatory year of the regulatory control period. This submission is made in accordance with this requirement.

## 1.1 JEN's pricing approach

In accordance with the Rule requirements<sup>1</sup>, JEN established its tariff classes and the tariff structures within its Tariff Structure Statement (**TSS**)<sup>2</sup> approved by the AER for the 2021-26 regulatory period.<sup>3</sup> This annual pricing proposal applies those approved tariff structures to 2025-26 tariffs and establishes tariff levels (prices) that meet the network pricing objective<sup>4</sup> and pricing principles.<sup>5</sup>

JEN also intends to continue the two subthreshold/trial tariffs introduced in the 2023-24 regulatory year and does not intend to introduce new trial tariffs in the 2025-26 regulatory year. Further details are included in section 2.3 below.

## 1.2 Submission structure and rule compliance

### 1.2.1 Submission structure

JEN has structured this submission to demonstrate compliance with each of the requirements of rule 6.18.2(b) of the NER and the AER's 2020 Final Decision.<sup>6</sup> The submission dedicates a section to each of the key areas of rule compliance:

- Section 2 – Tariff classes, tariffs and charging parameters
- Section 3 – Approach to setting tariffs
- Section 4 – Pricing proposal elements
- Section 5 – Designated pricing proposal, pass-throughs and jurisdictional scheme recoveries

<sup>1</sup> National Electricity Rules (NER), cl 6.8.2

<sup>2</sup> AER, *Final Decision, Jemena distribution determination 2021-26, Revised Tariff Structure Statement April 2021 - Clean*, 30 April 2021.

<sup>3</sup> AER, *Final Decision, Jemena distribution determination 2021-26, Tariff Structure Statement April 2021*, 30 April 2021.

<sup>4</sup> NER, cl 6.18.5(a).

<sup>5</sup> NER, cl 6.18.5(e)-(j).

<sup>6</sup> AER, *Final Decision, Jemena distribution determination 2021-26, Tariff Structure Statement April 2021*, 30 April 2021.

Supporting attachments are listed in Table 1–1 below.

**Table 1–1: JEN 2025-26 pricing proposal submission document suite**

Document	Title
Proposal (this document)	JEN - 2025-26 Pricing Proposal (with reopener)
Attachment 1a	JEN - 2025-26 Network Tariff Schedule
Attachment 2a	JEN - 2025-26 Annual SCS pricing model (public and confidential)
Attachment 3	JEN - 2025-26 Annual pricing proposal approach to STPIS
Attachment 4	JEN - 2025-26 Schedule of services - Alternative control and public lighting
Attachment 5	JEN - 2025-26 Annual ACS pricing model
Attachment 6	JEN - 2025-26 ACS public lighting model - AER final decision
Attachment 7	JEN - 2025-26 TUOS letter
Attachment 8	JEN - 2025-26 TUOS charges
Attachment 9	JEN - AEMO invoice for South Morang terminal station <sup>7</sup>
Attachment 10	JEN - 2025-26 AusNet charges (indicative)
Attachment 11	JEN - 2025-26 Costs of service confirmation
Attachment 12	JEN - 2025-26 Statement of Compliance
Attachment 13	JEN - 2022-23 F factor fire factor start template
Attachment 14	JEN - 2024-25 ESV Levy invoice
Attachment 15	JEN - 2025-26 RoLR invoices
Attachment 16	JEN - 2023-24 License Fee
Attachment 17	JEN - 2025-26 Confidentiality template

## 1.2.2 Rule compliance

Table 1–2 sets out the specific rule requirement and where in this pricing proposal JEN has demonstrated compliance.

**Table 1–2: Rule compliance submission references**

Topic	Relevant rules	Submission reference
Pricing proposal elements	6.18.2(b)(2) of the NER requires that the pricing proposal set out the proposed tariffs for each tariff class;	Section 2, Attachment 2a (SCS) and Attachment 5 (ACS)
	6.18.2(b)(3) of the NER requires that the pricing proposal set out, for each proposed tariff, the charging parameters and the elements of service to which each charging parameter relates;	Section 2, Attachment 2a (SCS) and Attachment 5 (ACS)
	6.18.2(b)(4) of the NER requires that the pricing proposal set out, for each tariff class related to standard control services, the expected weighted	Attachment 2a

<sup>7</sup> We have only attached a single monthly invoice because it does not vary month to month.

Topic	Relevant rules	Submission reference
	average revenue for the relevant regulatory year and also for the current regulatory year;	
	6.18.2(b)(5) of the NER requires that the pricing proposal set out the nature of any variation or adjustment to the tariff that could occur during the regulatory year and the basis on which it could occur;	Section 5
	6.18.2(b)(6) of the NER requires that the pricing proposal set out how designated pricing proposal charges are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous regulatory year;	Attachment 2a and Section 5
	6.18.2(b)(6A) of the NER requires that the pricing proposal set out how jurisdictional scheme amounts for each approved jurisdictional scheme are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those amounts;	Attachment 2a
	6.18.2(b)(6B) of the NER requires that the pricing proposal describe how each approved jurisdictional scheme that has been amended since the last jurisdictional scheme approval date meets the jurisdictional scheme eligibility criteria;	Section 5
	6.18.2(b)(6C) of the NER requires that the pricing proposal set out how system strength charges for system strength connection points on its network are to be passed through as described in clause 6.20.3A;	Section 5
	6.18.2(b)(7) of the NER requires that the pricing proposal demonstrate compliance with the Rules and any applicable distribution determination;	All
	6.18.2(b)(7A) of the NER requires that the pricing proposal demonstrate how each proposed tariff is consistent with the corresponding indicative pricing levels for the relevant regulatory year as set out in the relevant indicative pricing schedule, or explain any material differences between them;	Section 4
	6.18.2(b)(8) of the NER requires that the pricing proposal describe the nature and extent of change from the previous regulatory year and demonstrate that the changes comply with the Rules and any applicable distribution determination.	Sections 3 and 4
	6.18.2(d) of the NER requires the Distribution Network Service Provider to submit a revised indicative pricing schedule which sets out, for each tariff and each of the remaining regulatory years of the regulatory control period, the indicative price levels determined in accordance with the Distribution Network Service Provider's tariff structure statement for that regulatory control period and updated to take into account that pricing proposal.	Section 4, Attachment 2a
	6.18.2(e) of the NER requires that where the Distribution Network Service Provider submits an annual pricing proposal, the revised indicative pricing schedule referred to in paragraph (d) must also set out, for each relevant tariff under clause 6.18.1C, the indicative price levels for that relevant tariff for each of the remaining regulatory years of the regulatory control period, updated to take into account that pricing proposal.	Section 4, Attachment 2a
Pricing principles	6.18.5(a) of the NER describes the network pricing objective, which is that the tariffs that a Distribution Network Service Provider charges in respect of its provision of direct control services to a retail customer should reflect the Distribution Network Service Provider's efficient costs of providing those	Section 3

Topic	Relevant rules	Submission reference
	services to the retail customer. 6.18.5(b) of the NER states that tariffs must also comply with the pricing principles set out in 6.18.5(e) to (j).	
	<p>6.18.5(e) of the NER describes that the revenue for each tariff class is expected to be recovered should lie on or between:</p> <ol style="list-style-type: none"> <li>(1) an upper bound representing the stand-alone cost of serving the customers who belong to that class; and</li> <li>(2) a lower bound representing the avoidable cost of not serving those customers.</li> </ol>	Section 3
	<p>6.18.5(f) of the NER describes that each tariff must be based on the long-run marginal cost of providing the service to which it relates to the retail customers assigned to that tariff with the method of calculating such cost and how that method is applied to be determined having regard to:</p> <ol style="list-style-type: none"> <li>(1) the costs and benefits associated with calculating, implementing and applying that method as proposed;</li> <li>(2) the additional costs likely to be associated with meeting demand from retail customers that are assigned to that tariff at times of greatest utilisation of the relevant part of the distribution network; and</li> <li>(3) the location of retail customers that are assigned to that tariff and the extent to which costs vary between different locations in the distribution network.</li> </ol>	Section 3
	<p>6.18.5(g) of the NER requires the revenue expected to be recovered from each tariff must:</p> <ol style="list-style-type: none"> <li>(1) reflect the Distribution Network Service Provider's total efficient costs of serving the retail customers that are assigned to that tariff;</li> <li>(2) when summed with the revenue expected to be received from all other tariffs, permit the Distribution Network Service Provider to recover the expected revenue for the relevant services in accordance with the applicable distribution determination for the Distribution Network Service Provider; and</li> <li>(3) comply with sub-paragraphs (1) and (2) in a way that minimises distortions to the price signals for efficient usage that would result from tariffs that comply with the pricing principle set out in paragraph (f).</li> </ol>	Section 3
	<p>6.18.5(h) of the NER requires a Distribution Network Service Provider to consider the impact on retail customers of changes in tariffs from the previous regulatory year and may vary tariffs from those that comply with paragraphs (e) to (g) to the extent the Distribution Network Service Provider considers reasonably necessary having regard to:</p> <ol style="list-style-type: none"> <li>(1) the desirability for tariffs to comply with the pricing principles referred to in paragraphs (f) and (g), albeit after a reasonable period of transition (which may extend over more than one regulatory control period);</li> <li>(2) the extent to which retail customers can choose the tariff to which they are assigned; and</li> <li>(3) the extent to which retail customers can mitigate the impact of changes in tariffs through their usage decisions.</li> </ol>	Section 3
	6.18.5(i) of the NER requires that tariffs must be capable of being understood and incorporated into retailers' contract terms.	JEN's 2021-26 TSS
	6.18.5(j) of the NER requires tariffs to comply with the Rules and all applicable regulatory instruments.	Section 4

Topic	Relevant rules	Submission reference
Side constraint	<p>The price control mechanism requires a side constraint to apply to each tariff class related to the provision of standard control services.<sup>8</sup></p> <p>The expected weighted average revenue to be raised from a tariff class for a regulatory year must not exceed the corresponding expected weighted average revenue for the preceding regulatory year by more than the permissible percentage provided in the following formula.</p> $\frac{\left(\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_t^{ij}\right)}{\left(\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_t^{ij}\right)} \leq (1 + \Delta CPI_t) \times (1 - X_t) \times (1 + 2\%) + I_t^i + B_t^i + C_t^i$ <p>where each tariff class has "n" tariffs, with each up to "m" components, and where:</p> <p><math>p_t^j</math> is the proposed price for component 'j' of tariff 'i' for year t.</p> <p><math>p_{t-1}^{ij}</math> is the price charged for component 'j' of tariff 'i' in year t-1.</p> <p><math>q_t^j</math> is the forecast quantity of component 'j' of tariff 'i' in year t.</p> <p>t is the regulatory year.</p> <p><math>\Delta CPI_t</math> is the annual percentage change in the ABS CPI All Groups, Weighted Average of Eight Capital Cities<sup>83</sup> from the December quarter in year t-2 to the December quarter in year t-1, calculated using the following method:</p> <p>The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in regulatory year t-1</p> <p>divided by</p> <p>The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the December quarter in regulatory year t-2</p> <p>minus one.</p> <p>For example, for 2021-22, year t-2 is the December quarter 2019 and year t-1 is the December quarter 2020.</p> <p><math>X_t</math> is the X factor for each year of the 2021-26 regulatory control period as determined in the PTRM, and annually revised for the return on debt update in accordance with the formula specified in Attachment 3—rate of return—calculated for the relevant year. If <math>X &gt; 0</math>, then X will be set equal to zero for the purposes of the side constraint formula.</p> <p><math>I_t^i</math> is the annual percentage change in the sum of incentive scheme adjustments described in Figure 14.1 applied in year t.</p> <p><math>B_t^i</math> is the annual percentage change from the sum of annual adjustment factors for year t and includes true-up for any under or over recovery of actual revenue collected through DUoS charges calculated using the method in Figure 14.1.</p> <p><math>C_t^i</math> is the annual percentage change from the sum of approved cost pass through amounts (positive or negative) with respect to regulatory year t, as determined by the AER. It will also include any end-of-period adjustments in regulatory year t.</p> <p>With the exception of the CPI and X factor, the percentage for each of the other factors above can be calculated by dividing the incremental revenues (as used in the total annual revenue formula) for each factor by the expected revenues for regulatory year t-1 (based on the prices in year t-1 multiplied by the forecast quantities for year t).</p>	Attachment 2a
	6.18.6(d) of the NER states that in deciding whether the permissible percentage has been exceeded in a particular regulatory year, the following are to be disregarded:	Attachment 2a

<sup>8</sup> AER, *Final Decision, Jemena distribution determination 2021 to 2026, Attachment 14, Control mechanisms*, Figure 14, April 2021.



Topic	Relevant rules	Submission reference
	<p>(1) the recovery of revenue to accommodate a variation to the distribution determination under rule 6.6 or 6.13;</p> <p>(2) the recovery of revenue to accommodate the pass through of designated pricing proposal charges to customers; and</p> <p>(3) the recovery of revenue to accommodate the pass through of jurisdictional scheme amounts for approved jurisdictional schemes.</p>	
Designated Pricing Proposal Charges (includes recovery for transmission charges, inter DB charges and avoided transmission payments)	6.18.7(a) of the NER requires a pricing proposal to provide for tariffs designed to pass on to customers the designated pricing proposal charges to be incurred by the Distribution Network Service Provider.	Attachment 2a
	6.18.7(b) of the NER determines that the amount to be passed on to customers for a particular regulatory year must not exceed the estimated amount of the designated pricing proposal charges adjusted for over or under recovery in accordance with paragraph (c).	Attachment 2a
	<p>6.18.7(c) of the NER requires the over and under recovery amount to be calculated in a way that:</p> <p>(1) subject to subparagraphs (2) and (3) below, is consistent with the method determined by the AER in the relevant distribution determination for the Distribution Network Service Provider;</p> <p>(2) ensures a Distribution Network Service Provider can recover from customers no more and no less than the designated pricing proposal charges it incurs; and</p> <p>(3) adjusts for an appropriate cost of capital that is consistent with the rate of return used in the relevant distribution determination for the relevant regulatory year.</p>	Attachment 2a
Jurisdictional scheme	<p>6.18.7A(a) of the NER requires a pricing proposal to provide for tariffs designed to pass on to customers a Distribution Network Service Provider's:</p> <p>(1) jurisdictional scheme amounts for approved jurisdictional schemes; and</p> <p>(2) jurisdictional scheme refund amounts for approved jurisdictional schemes.</p>	Attachment 2a
	6.18.7A(b) and 6.18.7A(c) of the NER requires the jurisdictional scheme amount and jurisdictional refund to be passed on to customers for a particular regulatory year (year t) must not exceed the estimated amount of jurisdictional scheme amounts and jurisdictional scheme refund for a Distribution Network Service Provider's approved jurisdictional schemes for year t adjusted for over or under recovery in accordance with paragraph 6.18.7(c1).	Attachment 2a

### 1.2.3 Submission values and terminology

This submission employs the following standards:

- All cost estimates and revenue values are expressed in \$2025-26 unless otherwise stated.
- All prices are expressed in \$2025-26.
- The term 'customer' should be interpreted as an end user of electricity rather than an electricity retailer.

## 2. Tariff classes and tariffs

In this section, JEN sets out its tariff classes and tariffs for 2025-26, which are those outlined in our TSS.

### 2.1 Distribution use of system services

The tariff classes for distribution use of system (**DUoS**) standard control services are as set out in our TSS. Table 2–1 sets out JEN’s 2025-26 DUoS tariff classes and the tariffs that are categorised within each of these.

**Table 2–1: Tariff classes for standard control DUoS services**

Tariff class	Relevant tariffs <sup>9</sup>	Class definition
Residential	A100 single rate A120 time of use A10D single rate – demand A180 off-peak heating only (dedicated circuit)	Only available to residential customers. A180 is no longer available to new customers.
Small business <sup>10</sup>	A200 single rate A210 time of use weekdays A20D single rate – demand A230 time of use weekdays – demand A23N time of use (demand opt-out) A270 time of use extended – Demand A290 unmetered supply	Available to network customers (embedded or non-embedded) with annual consumption < 0.4 GWh AND maximum demand < 120 kVA.  Customers with a maximum demand greater than 120 kVA but consuming < 160 MWh pa are eligible for the demand ‘opt-out’ A23N tariff. This may trigger a capital contribution recalculation.
Large business - low voltage	A300 LV <=0.8 GWh A30E LV <sub>EN</sub> annual consumption <=0.8 GWh A30C LV <=0.8 GWh cost-reflective A320 LV 0.8+ - 2.2 GWh A32E LV <sub>EN</sub> 0.8+ - 2.2 GWh A32C LV 0.8+ - 2.2 GWh cost-reflective A340 LV 2.2+ - 6.0 GWh A34E LV <sub>EN</sub> 2.2+ GWh A34C LV 2.2+ - 6.0 GWh cost-reflective A34M LVMS 2.2+ - 6.0 GWh A34T LVMS 2.2+ - 6.0 GWh cost-reflective A370 LV 6.0+ GWh A37C LV 6.0+ GWh cost-reflective A37M LVMS 6.0+ GWh A37T LVMS 6.0+ GWh cost-reflective	Only available to embedded network customers OR non-embedded network customers: with annual consumption >= 0.4 GWh <u>or</u> maximum demand >= 120 kVA.
Large business - high voltage	A400 HV A40E HV <sub>EN</sub>	Only available to customers taking High Voltage supply (nominal voltage >= 1,000 volts AND < 22,000 volts)

<sup>9</sup> Some of these tariffs are closed to new entrants as shown in our TSS. Tariffs starting with "F" were tariffs that previously attracted the premium feed-in tariff rebate. These tariffs ended on 1 November 2024 and all customers that were previously on PfiT tariffs have been moved to the corresponding A tariff.

<sup>10</sup> Small business includes medium business.

Tariff class	Relevant tariffs <sup>9</sup>	Class definition
	A40C HV cost-reflective A40R HV <sub>RF</sub> A40T HV <sub>RF</sub> cost-reflective A480 HV - annual consumption >= 55 GWh A48C HV - annual consumption >= 55 GWh cost reflective	
Large business - sub-transmission	A500 sub-transmission A50C sub-transmission cost-reflective A50A sub-transmission MA A50T sub-transmission MA cost-reflective A50E sub-transmission EG A50X sub-transmission EG cost-reflective A50M sub-transmission – multiple connection	Only available to customers taking supply from a nominal voltage >= 22,000 volts

## 2.2 Alternative control services (ACS)

JEN has a single alternative control services tariff class as set out in our TSS. Within this tariff class, there are multiple user-requested services, each with their own associated price or unit rates that are proposed by us, but approved by the AER. The method for determining prices for these services takes two different forms as described in Table 2–2.

**Table 2–2: Alternative control services tariff classes**

Service	Relevant services	Definition
Fee-based services	Include: <ul style="list-style-type: none"> <li>Ancillary Network Services for which the AER has applied a cap on prices, for example, services such as basic connections, de-energisations, re-energisations</li> <li>Metering services for 'small customers' (Type 5, 6 and AMI meters), Type 7 metering and other auxiliary metering services provided on a customer-requested basis</li> <li>The operation, maintenance and replacement (<b>OM&amp;R</b>) services for public lighting, for which the AER has applied a cap on the price per lighting type. This also includes pricing for the written down value (<b>WDV</b>) and avoided cost for use when public lighting customers seek to change their old lighting stock to more efficient light types before the end of their economic life (section 3.3.3).</li> </ul>	Services for which the AER has applied a cap on the price per service.
Quoted services	Services for which the AER has placed a cap on the applicable labour rates (inclusive of labour on-costs and overheads). Prices for quoted services are based on quantities of labour plus materials and contractor services.	Services for which the AER has placed a cap on the applicable labour rates. <sup>11</sup>

## 2.3 Sub-threshold tariffs

NER 6.18.1C allows distributors to conduct tariff trials within a regulatory period, provided the expected revenue from such tariffs does not exceed certain revenue thresholds. The following two trial tariffs are expected to continue in 2025-26:

<sup>11</sup> Cap does not apply to materials and contracts.

- low-voltage community battery tariff, and
- a site-specific subtransmission tariff.

No customers have currently joined the Jemena network on our trial tariffs, but some are expected to join the community battery tariff in the coming year. These tariffs will be updated annually, and maintained until 30 June 2026, the end of the current regulatory period. We notified the AER and retailers in our network about these trial tariffs in February 2023 in accordance with Rule 6.18.1C and provided retailers guidance on these trial tariff structures in a factsheet, which we will refresh this year.

### 3. Approach to setting tariffs

#### 3.1 Stand-alone and avoidable costs for each tariff class

Rule 6.18.5(e) requires that revenue from each tariff class for direct control distribution services lie between the economically efficient bounds of stand-alone and avoidable costs. The purpose of applying stand-alone and avoidable cost bounds on expected tariff class revenues is to ensure that, for each tariff class, the Distribution Network Service Provider (**DNSP**) is not pricing outside the bounds defined by economic efficiency. These stand-alone and avoidable cost bounds are the highest and lowest theoretical prices that a distributor could charge a customer class without imposing costs on other classes. That is, pricing outside these efficient bounds implies cross-subsidisation between customer classes if the business is recovering its costs.

The avoidable cost of serving a group of customers is the cost reduction that could be achieved if those customers were no longer served, i.e., the cost reduction associated with a decrease in output that was previously provided to that class of customers. The stand-alone cost of serving a group of customers is the total cost required to serve those customers alone, i.e., if JEN were to build the network anew, removing all other customers from the network.

Our TSS outlines JEN's approach to estimating stand-alone and avoidable costs for standard control services (**SCS**). Table 3–1 presents the stand-alone and avoidable cost estimates and the 2025-26 expected DUoS revenue for each tariff class. It demonstrates that the expected revenue falls between avoidable and stand-alone costs for each tariff class.

**Table 3–1: Stand-alone & avoidable cost estimates compared to expected DUoS revenue (\$M, 2025-26)**

Tariff class	Avoidable cost	Expected revenue	Stand-alone cost estimate
Residential	\$17.07	\$172.23	\$1,302.90
Small business	\$6.06	\$68.64	\$1,475.58
Large business – low voltage	\$10.48	\$80.13	\$1,663.69
Large business – high voltage	\$3.52	\$38.80	\$554.59
Large business – sub-transmission	\$0.74	\$3.93	\$184.43

Our ACS are priced at cost as these services are incremental to the distribution business. The initial costing was reviewed and approved by the AER as part of the 2021-26 Electricity Distribution Price Review<sup>12</sup> with annual updates to occur in accordance with the price control mechanism.<sup>13</sup>

<sup>12</sup> AER, *Final Decision, Jemena distribution determination 2021 to 2026, Attachment 16, Alternative Control Services*, April 2021.

<sup>13</sup> AER, *Final Decision, Jemena distribution determination 2021 to 2026, Attachment 14, Control Mechanisms*, April 2021.



## 3.2 Long-run marginal cost

Rule 6.18.5(f) requires that each tariff be based on the long-run marginal cost (**LRMC**) of providing the service to which it relates to the retail customers assigned to that tariff.

Table 3–2 sets out the LRMC estimates JEN has developed, using the methodology described in our TSS and updated for CPI.

**Table 3–2: JEN LRMC estimates<sup>14</sup>**

Tariff class	Unit	LRMC
Residential	\$/kW	\$63.65
Small business	\$/kW	\$44.23
Large business – low voltage	\$/kVA	\$38.21
Large business – high voltage	\$/kVA	\$23.97
Large business – sub-transmission	\$/kVA	\$0.25

### 3.2.1 Application of LRMC

Rule 6.18.5(f) requires that our tariffs be based on LRMC. Our LRMC has been calculated based on our cost driver, which is capacity (kW or kVA). All tariff classes have at least one tariff with a demand tariff component. This includes an opt-in tariff with a demand tariff component for small customers.

The demand tariff component is based on the LRMC levels. As our LRMC levels are relatively low compared to historical levels, we have to collect a higher proportion of residual revenue in a way that minimises price distortions.<sup>15</sup> Our TSS included a plan to increase the fixed charge component of small customers above the increase to other tariff components and we have adopted this strategy in 2025-26.

We originally set the prices of our residential time-of-use tariff so that a typical customer's network bill is the same whether on the demand tariff or time-of-use tariff. As set out in our TSS, we set both of these at a small discount to the single rate tariff (see Table 3–3). Consistent with previous years, the time-of-use tariff is set to best reflect the LRMC values and revenue we would obtain had a demand charge applied. This provides a link between the LRMC levels and our tariff levels (or prices) for our other residential tariffs.

**Table 3–3: Discount applied to cost-reflective residential tariffs**

Tariff	Tariff Name	Anytime (kWh)	Peak (kWh)	Off-peak (kWh)	Demand (kW)	2025-26 DUoS bill (\$)	% discount to A100
A100	Residential single rate	4,388				\$511	
A120	Residential time-of-use		1,466	2,922		\$457	10.5%
A10D	Residential demand	4,388			3	\$468	8.3%

Similarly, our business customer demand tariff components include some residual revenue recovery to ensure we minimise year-on-year (or period-on-period) price volatility driven by updated LRMC calculations. More information on how we set prices can be found in our TSS.

<sup>14</sup> Per page 21 of Jemena's TSS, these are converted demand charge components of tariffs, escalated annually by CPI.

<sup>15</sup> Rule 6.18.5(g)(3).

### 3.3 Remaining pricing principles in the Rules

As required by the Rules, JEN has had regard to several other relevant pricing principles when determining our 2025-26 tariff levels.

#### 3.3.1 Recovering efficient costs

Rule 6.18.5(g) requires that we only recover our efficient costs and that tariffs reflect the total efficient costs of serving retail customers assigned to each tariff. It also requires that allowed revenue is recovered in a way that seeks to minimise distortions to efficient price signals.

Attachment 2a demonstrates that our expected revenue falls within our efficient allowance (total allowed revenue or **TAR**). Section 3.2.1 details our approach to recovering residual revenue to minimise price distortions.

Calculating our expected revenue requires we forecast customer numbers, consumption and demand for:

- 1 July 2024 to 30 June 2025 (t-1) – this estimate impacts the unders and overs account via the t-1 under or over recovery.
- 2025-26 – this forecast affects the expected 2025-26 revenue, and therefore, 2025-26 price levels.

Our demand forecasting methodology and the demand forecast outputs are consistent with our forecasting approach for JEN's 2026-31 initial regulatory proposal submission.<sup>16</sup> However, we have updated our high-voltage (**HV**) large business tariff class forecasts with the latest actual data to capture any ramp-up in uptake by data centre customers. We detail our approach for customer numbers, our volume forecast and capacity (demand) forecasts below.

##### 3.3.1.1 Customer number forecast

Our approach for the customer numbers forecast is to:

- Begin with the most recent actual customer numbers for year t-2 (year ending 30 June 2024).
- For residential and small and medium business customers, project customer numbers forward for year t-1 (year ending 30 June 2025) forecast by analysing historical growth rates over the current regulatory period and applying them to the year t-2 actuals.
- For residential and small and medium business customers, project customer numbers forward for year t (year ending 30 June 2026) by analysing historical growth rates over the current regulatory period and applying them to the year t-1 estimates.
- For residential customers, the forecasts are also adjusted for in/out movements between our single rate and time-of-use (**ToU**) tariffs.
- For large business customers, we have adopted a similar trending approach while also accounting for individual large business tariff transitions (e.g., the ongoing transition to our fully cost-reflective summer demand incentive charge (**SDIC**) tariffs).

##### 3.3.1.2 Volume forecast

Our approach for the volume (consumption) forecast differs depending on the tariff we are forecasting. For tariffs A100, A120 and A200, we use a historical non-pandemic years 'consumption per customer' approach. This is due to these tariffs being particularly affected by pandemic consumption changes, while they now seem to have returned to pre-pandemic energy consumption levels.

<sup>16</sup> JEN, *2026-31 initial regulatory proposal*, January 2025.

Our approach is to:

- Estimate t-1 consumption:
  - Year t-1 consumption (including consumption per customer) is estimated using actual data from the current regulatory period up until the end of the 2023-24 regulatory year.
  - Analyse the likelihood of unusually hot or cold weather in a season that may affect typical seasonal consumption. However, similar to previous years, no adjustment was made to consumption for weather in this submission.
- Forecast consumption for each tariff component for year t:
  - Year t consumption is forecast using actual data and consumption per customer trends from the current regulatory period up until the end of the 2023-24 regulatory year.
  - For all other small and medium business and large business customers, the consumption forecast for 2025-26 is assumed to be relatively flat consistent with observed consumption changes in recent years.

### 3.3.1.3 Demand (capacity) forecast

Our approach for the capacity (demand) forecast is to adopt a similar ‘demand per customer’ trending approach based on actual data from the current regulatory period. We also adopt the same approach for the cost-reflective SDIC tariff components.

## 3.3.2 Impact on customers

JEN has considered the impact on retail customers (Rule 6.18.5(h)) of changes in tariffs between 2024-25 and 2025-26. JEN’s reopener application is contributing to a larger-than-expected increase in DUoS revenue for the 2025-26 regulatory year, and on this basis, we are proposing to bank our Service Target Performance Incentive Scheme (STPIS) allowance.<sup>17</sup> Recovering our full STPIS amount in addition to our reopener application would increase volatility in prices.

### 3.3.2.1 Banking S-factor

At a time when inflation, interest rates and cost of living pressures are high, we consider that banking our STPIS into the next regulatory year is the right thing to do by our customers. Banking the S-factor will cause allowable revenue to increase by a lower amount in 2025-26 and would also create a less volatile price path for our customers in 2026-27, the first year of the next regulatory period. See Attachment 3 for more information.

### 3.3.2.1 Pass-through amounts and refunds

JEN has also considered the impact on different market segments of how we recover our pass-through amounts (jurisdictional and transmission use of system (**TUoS**) charges), which we began adjusting in our 2020 tariffs. We consider that we can continue to improve how these pass-throughs are allocated to the different market segments to mitigate the volatility associated with these costs. We discuss this further in section 5.2.2.

In addition, we note that the final customer bill impacts are subject to the actions undertaken by retailers. For example, retailers may choose whether to pass through network price changes in full.

### 3.3.2.2 Typical customer bill impacts

Table 3–4 shows the proposed typical customer Distribution Use of System (**DUoS**) bill impacts for our small customer tariff classes from 2024-25 to 2025-26.

<sup>17</sup> Note we are only proposing to bank our STPIS allowance in the ‘with reopener’ scenario. We are proposing to recover our full STPIS allowance in the ‘without reopener’ scenario.

**Table 3–4: Proposed typical customer bill impacts (\$, nominal)**

Tariff class	2024-25 bill	2025-26 bill	Bill change from 2024-25 to 2025-26	NUoS % change
Residential	\$474	\$493	\$19	4.1%
Small business	\$1,493	\$1,568	\$75	5.0%

### 3.3.3 JEN ACS model and written-down value & avoided cost

Our ACS prices for 2025-26 escalate current prices by inflation. This is included in the pre-lodgement ACS pricing model submitted to the AER on 14 February 2025. There is no change to the ACS model from the pre-lodgement submission.

In addition to the draft ACS pricing model and consistent with our historical approach, we have escalated the WDV and avoided cost charges of our public lighting prices by inflation (refer to Attachment 4). The WDV and avoided cost charges are part of the public lighting prices in Attachment 4.

## 4. Pricing proposal elements

### 4.1 Price variation elements

Rule 6.18.2(b)(8) requires that we describe the nature and extent of change from the previous regulatory year and that the changes comply with the Rules and applicable distribution determination. The changes we have applied to our 2025-26 proposal are compliant with these requirements and the variables that have influenced the SCS DUoS prices are the:

- Approved revenue path for the regulatory year (X-factor)<sup>18</sup> updated for the cost of debt
- Annual percentage change in CPI
- F-factor incentive scheme amount
- STPIS (S-factor)
- Demand management incentive scheme (**DMIS**)
- Demand management innovation allowance (**DMIA**)
- Sum of approved cost pass-through amounts with respect to the regulatory year (C term)
- Under or over recovery of actual revenue collected through DUoS charges in prior years plus recovery of license fee charges, less previous year deliberate under recovery (B term).

Table 4–1 shows the price variations for each variable in JEN's 2025-26 pricing proposal.

**Table 4–1: JEN annual SCS price variation elements**

Price variation element	Amount
CPI	2.42%
X-factor	-20.34%
F-factor	\$31,524
S-factor	\$4.97M (with this total amount banked until a future regulatory year as described in section 3.3.2)
DMIS	\$0
DMIA	N/A <sup>19</sup>
I (F-factor, S-factor, DMIS and DMIA)	\$31,524
C	\$0
B	-\$11.67M

### 4.2 Comparison to indicative prices

6.18.2(b)(7A) requires that we demonstrate how each proposed tariff is consistent with the corresponding indicative pricing levels for the relevant regulatory year as set out in the relevant indicative pricing schedule, or explain any material differences between them.

<sup>18</sup> AER, *Final Decision, Jemena distribution determination 2021-26, Overview*, 30 April 2021.

<sup>19</sup> Note that the DMIA adjustment applies only in year 2 of the regulatory control period, and only to true up any unused portion of the DMIA from the prior regulatory control period. This is not affected by the use of the DMIA in the current period, as detailed in section 2.3.1.



We provided updated indicative 2025-26 prices in our 2024-25 pricing proposal model.<sup>20</sup> At a NUoS level, our 2025-26 proposed price levels are higher than our indicative price levels because of increased revenue to be recovered in 2025-26 due to:

- JEN's year-five cost of debt update (X factor update)
- the Victorian Emergency Backstop Mechanism (**VEBM**) cost pass-through
- JEN's reopener application.

At the time of forecasting the indicative prices for 2025-26 while creating our 2024-25 model, we did not expect a price rise of this magnitude to eventuate in 2025-26. More details on the differences between our proposed 2025-26 prices and the indicative prices we proposed in our 2024-25 are provided in compliance tables 6 and 7 of the SCS pricing model.<sup>21</sup>

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<sup>20</sup> Attachment 3 - JEN – 2023-24 Pricing Proposal - 2023-24 Annual SCS Pricing Model – 31.03.23 – CONFIDENTIAL, March 2023.

<sup>21</sup> JEN, *2025-26 Annual SCS pricing model*, 'Price comp. ind.', 31.03.2025.

## 5. Designated pricing proposal, pass-throughs and jurisdictional scheme outcomes

### 5.1 Tariff variation for pass-throughs

#### 5.1.1 Rule requirements

Rule 6.18.2(b)(5) requires that a DNSP's pricing proposal must:

*set out the nature of any variation or adjustment to the tariff that could occur during the course of the regulatory year and the basis on which it could occur*

#### 5.1.2 Potential tariff variation for pass-throughs

##### 5.1.2.1 Possible pass-through events

Chapter 6 of the Rules specifies that the following pass-through events apply to all distribution determinations:

- regulatory change event
- a service standard event
- a tax change event
- a retailer insolvency event.

In addition to the pass-through events and provisions set out in the Rule, the AER has determined the following pass-through events are also applicable to JEN:<sup>22</sup>

- an insurance cap event
- an insurer credit risk event
- a natural disaster event
- a terrorism event.

##### 5.1.2.2 Retailer insolvency events

The insolvency of several retailers in 2023-24 and 2024-25 has added to the TAR for 2025-26. The amounts in Table 5–1 below are escalated in the AER model and form part of our allowable revenue:

**Table 5–1: Unpaid charges resulting from retailer insolvency events**

	2023-24	2024-25
NUoS charges	\$17,983	\$53,240
Metering charges	\$399	\$802
<b>Total</b>	<b>\$18,382</b>	<b>\$54,042</b>

<sup>22</sup> AER, *Final Decision, Jemena distribution determination 2021-2026, Attachment 15, Pass through events*, April 2021.

## 5.2 Designated pricing proposal costs

### 5.2.1 Rule requirements

Rule 6.18.2(b)(6) requires that a DNSP's pricing proposal must:

*set out how designated pricing proposal charges are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous regulatory year.*

Rule 6.18.2(b)(6C) of the NER requires that the pricing proposal must:

*set out how system strength charges for system strength connection points on its network are to be passed through as described in clause 6.20.3A.*

### 5.2.2 Designated pricing proposal charges

JEN has set out a schedule of its proposed Designated Pricing Proposal Charges (incorporating TUoS tariffs) in Attachment 1a of this submission. These tariffs are set to recover JEN's required transmission revenue as calculated in accordance with the mechanism specified in the AER's final determination<sup>23</sup> and shown in Attachment 2a.<sup>24</sup>

As shown in Table 5–2, TUoS revenue is expected to decrease by 2.6% from 2024–25 to 2025–26. This is mostly driven by a lower increase in AEMO's prices combined with an over-recovery adjustment from the previous year, which JEN is required to pass through to our customers.

**Table 5–2: Estimated TUoS revenue increase (\$M, nominal)**

	2024-25	2025-26
Total forecast DPPC	\$94.0	\$99.0
Over/under recovery adjustment from the previous year	\$2.5	-\$4.7
Allowed revenue	\$96.5	\$94.4
Estimated revenue collected	\$96.9	\$94.4
<b>% change</b>		<b>-2.6%</b>

Attachment 2a provides the full unders and overs account for TUoS. The volatility of transmission pass-through disproportionately impacts large business customer bills due to the larger proportion of their bills made up of transmission costs.

### 5.2.3 System strength connection points

System strength charges apply only to Chapter 5 connections (see Chapter 5 of the NER), of which there are none on Jemena's network. If system strength charges arise, Jemena will pass through these charges in accordance with NER clauses 6.20.3A(b) and 6.20.3A(c). We will bill Distribution Network Users, identifying the relevant system strength connection points and providing other information required by the Distribution Network Users to verify the charges. The bills will be on a pass-through basis, and replicate as far as is reasonably possible the amount, structure and timing of the corresponding system strength charges billed to us by the relevant System Strength Service Provider (AEMO or Ausnet). We have no system strength charges forecast for 2025–26.

<sup>23</sup> AER, *Final Decision, Jemena distribution determination 2021-26 Attachment 14, Control mechanisms*, April 2021.

<sup>24</sup> TUoS charges are made up of scheduled charges per the attachments from our transmission suppliers AEMO and Ausnet, as well as connection charges relating to the South Morang Terminal Station (AEMO) and agreed augmentation costs (Ausnet).

## 5.3 Jurisdictional scheme recoveries

### 5.3.1 Rule requirements

Rules 6.18.2(b)(6A) and 6.18.2(b)(6B) require that a DNSP's pricing proposal must:

*(6A) set out how jurisdictional scheme amounts for each approved jurisdictional scheme are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those amounts; and*

*(6B) describe how each approved jurisdictional scheme that has been amended since the last jurisdictional scheme approval date meets the jurisdictional scheme eligibility criteria.*

### 5.3.2 Relevant jurisdictional schemes

There are three relevant jurisdictional schemes:

- Feed-in tariffs
- ESV levy
- ESC licence fee.

Both the Premium Solar Feed-in Tariff (**PFIT**) and the Transitional Feed-in Tariff (**TFIT**) are now closed to new entrants. PFIT tariffs have been closed to new entrants from 1 January 2012 as per the Minister for Energy and Resources announcement on 1 September 2011. Eligible properties with an active PFIT contract continued to receive this rate until 1 November 2024. Regulatory year 2024-25 was therefore the last year in which PFIT was included.

On 19 March 2021, the AER determined that the treatment of ESV levies established by section 8 of the Electricity Safety Act 1998 (Vic) (ESA) would become a jurisdictional scheme.

Following the AER's decision on 19 July 2024,<sup>25</sup> we have removed the ESC licence fee amount from our B factor calculation and treated this amount as a jurisdictional scheme amount and we will continue to adopt this approach in future annual pricing proposals.

### 5.3.3 Jurisdictional scheme tariffs

JEN has set out a schedule of its proposed tariffs to recover costs incurred through relevant jurisdiction schemes in Attachment 1a. These tariffs are set to recover JEN's required jurisdictional scheme revenue as calculated in accordance with the mechanism specified in the AER's Final Decision<sup>26</sup> and reflected in Attachment 2a. We propose to recover jurisdictional scheme revenue from customer segments in broadly the same proportion as we have historically.

<sup>25</sup> AER, *Jurisdictional scheme determination - Licence fees payable under the Electricity Industry Act 2000 (Vic)*, July 2024.

<sup>26</sup> AER, *Final Decision, Jemena distribution determination 2021-26 Attachment 14, Control mechanisms*, April 2021.