

Jemena – 2021-26 Price Review

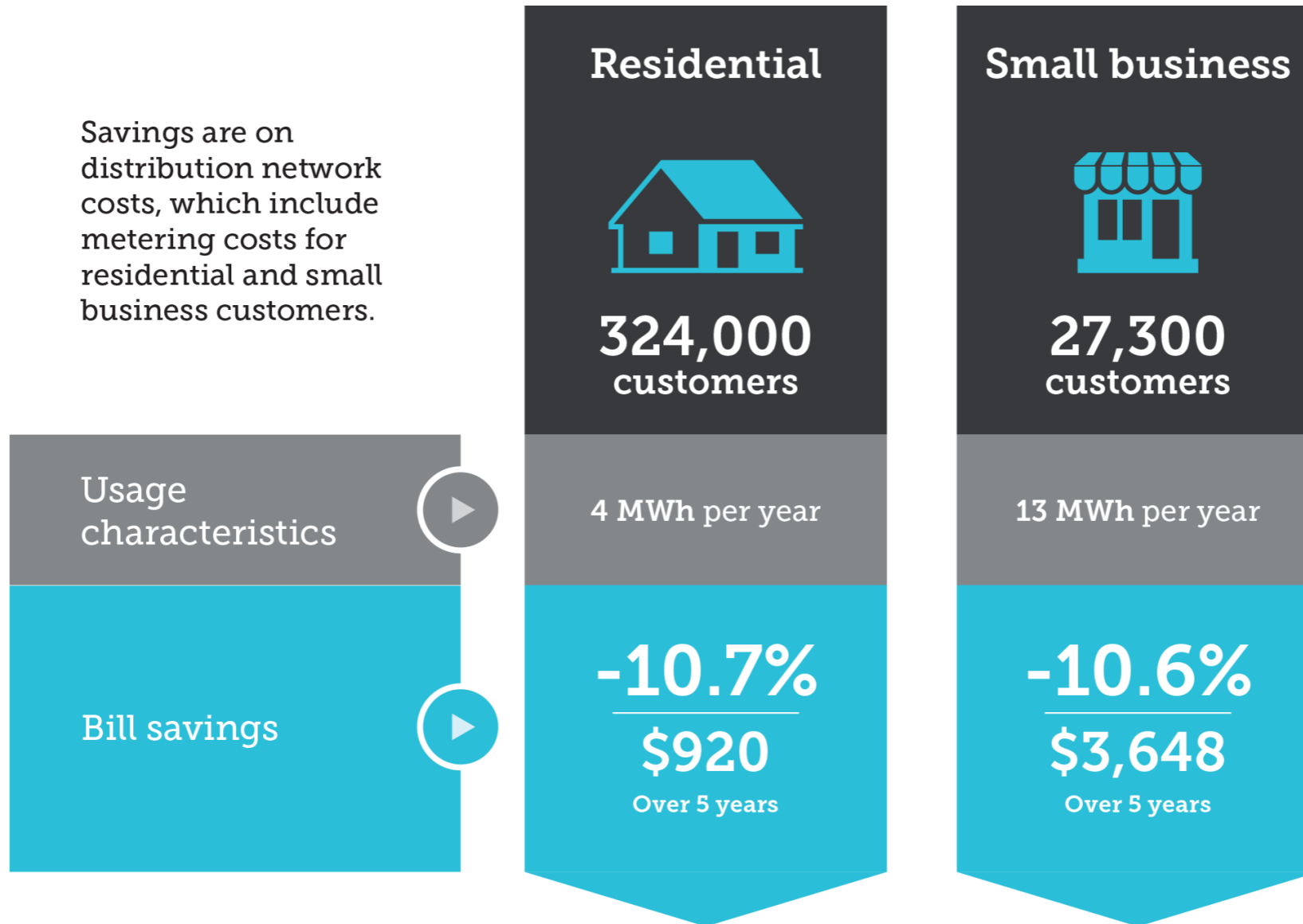
Pre-determination conference



Jemena
bringing energy to life

Revenue and customer bill impacts

Savings are on distribution network costs, which include metering costs for residential and small business customers.



Industry leading customer engagement

Jemena's Peoples Panel

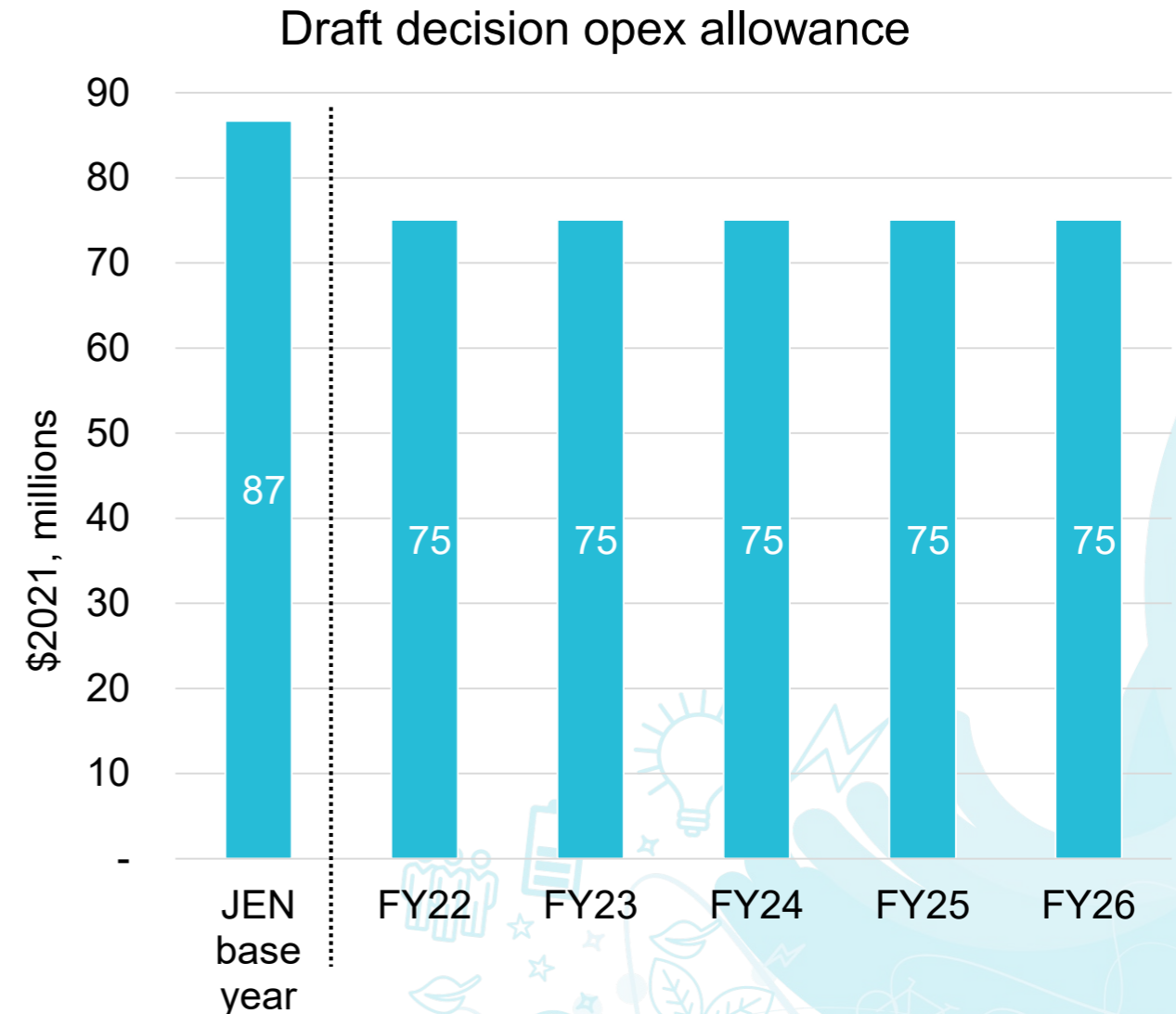
- From the outset we sought to have our **customers shape our proposal** to deliver what they told us was **important to them**
- With Jemena's staff and **Board members participating** in the process, the Peoples Panel gained confidence that we were committed to the process
- By investing broadly in education and support, the Peoples Panel delivered thirteen key **recommendations** which **underpin** our regulatory proposal
- The Peoples' Panel **voted unanimously** to support Jemena's regulatory proposal recognising it meets their long-term interests



The People's Panel hand their recommendations to Jemena's board members

Operating expenditure – Base year

- Our customers told us **affordability** is top of mind. We are actively **transforming** our business to reduce costs
- The draft decision reduces the opex base year allowance to meet a benchmarking target
- Historically Jemena has operated within its opex allowance and has **not been considered systemically inefficient**
- The **deterministic application of benchmarking** for setting the base opex does not account for a broad range of factors in assessing efficiency
- Changes in the **capitalisation policies** of other distribution businesses has a material impact on Jemena's benchmarking measure



Base year opex reductions of 13% are applied to Jemena

Future Grid

- Our customers told us they want a **greener** and more sustainable **energy future** and electricity networks have a role to play
- We must change the way the network operates, and we must **invest** to make this happen
- We welcome the AER's acknowledgment of the **changing role of distribution networks** and the necessary investment we must make for the next phase of transformation
- Our Future Grid initiative **enables** us to prepare for the growing integration of Distributed Energy Resources and supporting the Victorian Government's solar homes program

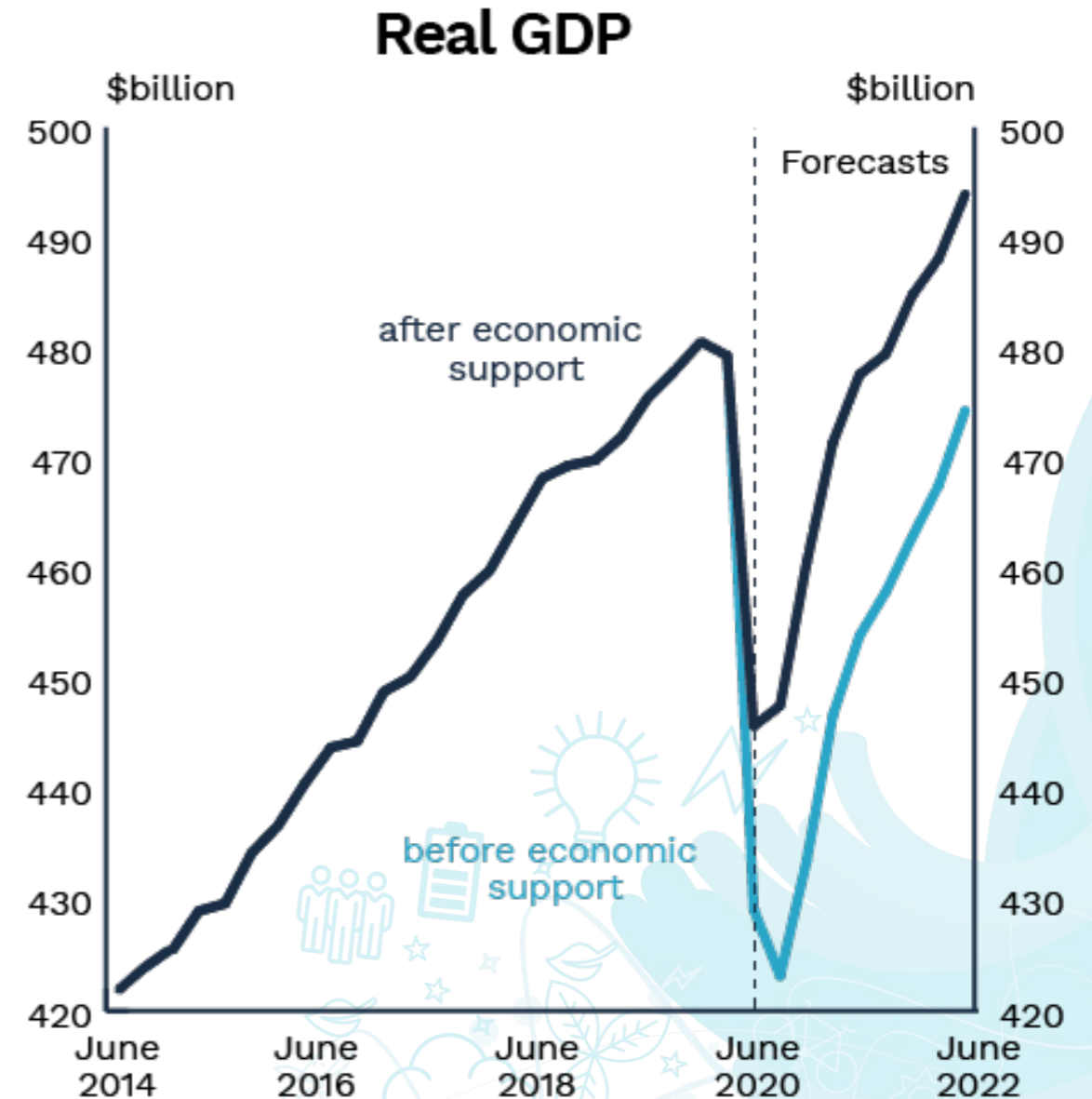


Jemena's customers enjoying a more sustainable lifestyle



Covid-19

- When commenting on our initial proposal, stakeholders asked for the **impacts of Covid-19** to be considered as a part of the price review process
- The AER has considered the economic impacts of Covid-19 and captured these in its draft decision
 - > **Connections capex** has been adjusted to account for a lag in construction activity
 - > **Wage growth** is constrained to reflect the changes in the broader economy
- On balance, we consider the AER's **approach to be reasonable** in the face of considerable uncertainty
 - > The Australian and State Governments have put packages in place to support economic recovery
 - > Structural change to the way we work in the future will mean less investment in some areas of our network and more in others



Australian Government budget 2020-21 (6 Oct 2020)

Network tariffs

- Along with affordability, stakeholders told us simplicity was the top priority for **household** tariffs.
- We welcome the AER accepting our new simple time of use (ToU) tariff as the new default, with **choice** of flat or demand tariffs
- We are undertaking customer impact **analysis** to support the AER suggestion to investigate moving the 6% of our households on legacy ToU tariffs to the new ToU tariff (retaining choice of flat or demand tariffs)
- For large business customers, the AER suggest **optional** individually calculated customer (**ICC**) tariffs and encourage **shorter peak windows**. We are:
 - > Consulting with customers on tariff options with shorter peak windows
 - > Still developing our thinking given the challenges associated with optional ICCs

Stakeholder voting on important principles for tariff design

