

19 June 2019

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By email: AERInquiry@aer.gov.au

Dear Chris

ICT Expenditure Assessment

Jemena welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) consultation paper on ICT Expenditure Assessment (**the Paper**). As the owner of a regulated electricity distribution network, we strongly support the AER's continued work on developing and refining its expenditure assessment methodologies and tools, in consultation with stakeholders, to ensure that it is best-placed to make expenditure assessment decisions which are in the long-term interests of customers.

As noted in the Paper, ICT capex can have a more significant impact on customer prices than other (network) categories of capex, given the relatively short regulatory depreciation periods of these assets. We also acknowledge that, particularly due to the technical nature of some ICT investments and rapid pace of technological developments, distribution network service providers' (**DN**SP) ICT expenditure proposals may appear complex to external stakeholders, and that this complexity may present a barrier to effective consumer engagement in regulatory processes.

Our own recent experience engaging with Jemena Electricity Network customers demonstrates that although our customers are concerned about energy affordability, they are generally supportive of further investment in new technologies where these investments serve to enable future efficiency. Additionally, new challenges posed by the changing expectations of our customers and the way they use distributed energy resources—and our network—will increasingly necessitate responses by DN

SPs which involve technology investments. In this respect, we consider it timely for the AER to review its ICT expenditure assessment approach.

However, we are concerned that the application of several aspects the Paper's framework, as proposed, would be detrimental to the long-term interests of customers by potentially distorting incentives for efficient investment by DN

SPs or risk resulting in regulatory determinations which do not reflect efficient levels of expenditure. In particular, there are a range of issues and risks associated with the application of benchmarking to recurrent ICT capex (including the poor quality and comparability of DN

SPs' category-level expenditure data) and the approach of applying a 'broad productivity adjustment to the overall proposal' in the AER's substitute estimate for a non-justified proposal. There is also a risk that operational productivity benefits may be 'double counted' under the proposed framework in light of the AER's recent decision on forecasting operating productivity growth.

We have provided our responses to the questions raised by the Paper in the attached submission. Our main submission document and this letter may be published on the AER's website. We have

also included a confidential appendix to our submission which presents ICT expenditure data previously submitted to the AER in response to Regulatory Information Notices on a confidential basis. Jemena has also contributed to and supports Energy Networks Australia's submission in response to the Paper.

We look forward to continuing to engage with the AER as it refines its expenditure assessment approaches and throughout our upcoming distribution price review. Should you have any questions about this submission, please contact Matthew Serpell on (03) 9173 8231 or via email: matthew.serpell@jemena.com.au.

Regards

A handwritten signature in black ink, appearing to read 'Usman', with a long horizontal stroke extending to the right.

Usman Saadat
General Manager Regulation