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By email: [rateofreturn@aer.gov.au](mailto:rateofreturn@aer.gov.au)

Mr Warwick Anderson  
General Manager Network Regulation  
Australian Energy Regulator  
GPO BOX 3131  
Canberra, ACT 2601

Dear Mr Anderson,

### **Rate of Return Guidelines - Jemena submission on the issues paper**

Jemena Limited (**Jemena**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER's**) issues paper on the rate of return guidelines.

Jemena owns two regulated network businesses: Jemena Gas Networks (NSW) Limited (**JGN**) and Jemena Electricity Networks (Vic) Limited (**JEN**). Jemena also has ownership interests in the United Energy electricity distribution business in Victoria (34%) and the ActewAGL gas and electricity distribution partnership in the ACT (50%). Accordingly, Jemena has a significant interest in the content of the rate of return guidelines.

### **Jemena's submission**

Jemena endorses the ENA's submission on the AER's issues paper – and considers that this is well-balanced and well-considered.

On the issues paper specifically, Jemena submits that:

- the long-term interests of consumers are important – and these are best served by applying the new rate of return rules rather than including these interests as a separate consideration when determining the cost of capital
- gas networks are riskier than electricity networks – and, where this additional risk is found to be material and measurable, it should be considered when developing the guidelines
- the guidelines should preserve the option for networks to propose any of the three cost of debt approaches – as no one approach is 'efficient' in all circumstances
- the ENA's proposed three-step framework for estimating the cost of equity is better than the single cost of equity model approach discussed in the AER issues paper.

Please find attached to this letter Jemena's submission on the issues paper. As well as making the above points in more detail, this submission responds to each of the AER's 22 questions.

If you wish to discuss the submission please contact me on (03) 8544 9053 or at [robert.mcmillan@jemena.com.au](mailto:robert.mcmillan@jemena.com.au).

Yours sincerely,



**Robert McMillan**  
General Manager Regulation  
Jemena Limited.