

11 September 2009

Chris Pattas
General Manager
Network Regulation South
Australian Energy Regulator
PO Box 520
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**Submission on AER's Draft Determination, Victorian
Advanced Metering Infrastructure Review, 2009-11 AMI
Budget and Charges Applications**



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Dear Mr Pattas

Jemena Electricity Networks (Vic) Ltd (JEN) welcomes the opportunity to make this submission on the AER's Draft Determination for the Victorian Advanced Metering Infrastructure Review for the 2009-2011 AMI budget and charges applications (draft determination).

Below, JEN provides separate comments on the draft determination in relation to the budget application and the charges application submitted by JEN.

1. Budget application

JEN welcomes the AER's draft decision to approve JEN's proposed 2009-2011 AMI budget application. JEN aimed to provide extensive information to support the budget application. JEN is pleased that the information provided has given the AER comfort that the proposed budget amounts comply with the Cost Recovery Order in Council (CROIC).

2. Charges application

Historic information

JEN acknowledges the significant issues noted in the draft determination in relation to the robust provision of, and the AER's reliance on, historic data for both JEN and other distributors. In JEN's case, the provision of robust historic data prior to 2008 is especially problematic, given the structural and ownership changes that the business has experienced over those prior years.

As discussed with the AER's staff, to ensure that the historic information on which the AER will base its final decision is robust and reliable, JEN is currently completing a re-statement of those regulatory accounts that relate to the 2006-2008 calendar years. The re-stated accounts will include additional detailed tables that set out the information the AER requires in order to undertake the calculations for the true-up of historic costs and the efficiency carryover mechanism.

The re-stated accounts, including the additional detailed tables, will be re-audited pursuant to a tripartite deed between JEN, the AER and the auditor. The re-stated accounts will also be signed-off by JEN's board of directors.

JEN intends to provide the re-stated accounts and an updated charges application template, consistent with those re-stated accounts, by the end of September. Our understanding is that this timeframe will provide sufficient time for the AER to consider the re-stated regulatory accounts before making a final determination on JEN's charges application.

Debt risk premium

JEN notes the AER's draft decision to reject the debt risk premium (DRP) figure proposed by JEN jointly with other Victorian distributors. The draft determination sets out the AER's proposed approach, which is based on Bloomberg fair yield curves. JEN does not consider this draft decision to be consistent with the CROIC.

Jointly with the other Victorian distributors, JEN has commissioned an expert report on this issue from Dr Tom Hird of CEG. The Victorian distributors have also developed a separate joint submission on the issue of the DRP that draws on CEG's expert report. This joint submission and the expert report are attached separately to this letter.

Units to which proposed charges apply

JEN would like to clarify that the charges proposed and the calculations in JEN's charges application template are based on charges per meter, and not on charges per National Meter Identifier (NMI) as incorrectly stated on pages 7 and 146 of the draft determination.

There are a small, but material, number of instances where multiple meters will exist on one NMI. Therefore, if charges were calculated on a per NMI basis, a slight increase in charges would be required.

Concluding Comment

JEN thanks the AER for considering this letter, as well as the attached CEG Expert Report and the joint Victorian distributors' submission on the issue of the DRP. Should you wish to discuss any of the matters raised in this letter, please feel free to contact Anton Murashev, Manager Asset Regulation & Strategy (03 8544 9036, anton.murashev@jemena.com.au).

Kind regards



Shaun Reardon
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