



Chris Pattas
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: AERInquiry@aer.gov.au

23 May 2017

Dear Chris

Draft determinations – Electricity f-factor scheme 2016-2020 for Victorian electricity distribution network service providers

Jemena Electricity Networks (Vic) Ltd (**JEN**) welcomes the opportunity to respond to the AER's draft determination for the f-factor scheme 2016-2020 for JEN (**draft determination**).

JEN supports the AER's proposed approach to giving effect to rewards and penalties under the new f-factor scheme. We consider that including the adjustment amount as an "l-factor" component in the annual revenue requirement calculation is appropriate and is consistent with the AER's approach to f-factor scheme application set out in its final decision on JEN's 2016-2020 distribution determination, except for the below issue.

As noted in the AER's draft determination and the Victorian Government's F-factor Scheme Order 2016 (**Order**), there will be an 18 month lag between the end of the relevant financial year and the start of the regulatory year in which revenue is adjusted under the new scheme. JEN considers that revenue adjustment amounts under the new scheme should be adjusted for the time value of money attributable to the lag between these two periods; a part year adjustment similar to the licence fee factor (L-Factor) in Victoria can be adopted.

JEN will provide feedback on the reporting requirements associated with the f-factor scheme separately in response to the AER's request for comment dated 22 May 2017.

Please contact me on (03) 9173 8231 if you would like to discuss any aspect of this submission further.

Yours sincerely

[signed]

Matthew Serpell
Manager Asset Regulation and Strategy

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