

Consumer

Challenge

Panel

**CCP32 Advice to the Australian Energy Regulator on
the 2026-31 Regulatory Proposal for
Jemena Electricity Distribution Network**

Consumer Challenge Panel (CCP) Sub-Panel CCP32

David Prins

Mark Henley

Robyn Robinson

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Acknowledgements

Acknowledgement of Country: We acknowledge the Traditional Custodians of the various lands on which the AER operates, and where Jemena own and operate their networks and facilities. We honour the customs and traditions and special relationship of those Traditional Custodians with the land as well as those where this report is being prepared. We respect the elders of these nations, past, present and emerging.

CCP32 wishes to acknowledge the cooperation and support of Jemena and AER staff who have generously provided information and insights to assist the sub-panel in its review of the business's Regulatory Proposal.

We also advise that to the best of our knowledge this report does not present any confidential information.

1. Introduction

Every five years, Jemena Electricity Networks (Jemena) is required to submit a Regulatory Proposal to the AER for its electricity distribution network, setting out the network investments and revenue required to deliver electricity distribution services for the next period.

This Statement of Advice is provided to the Australian Energy Regulator (AER) by Consumer Challenge Panel, sub-panel 32 (CCP32) in response to Jemena's 2026-31 Regulatory Proposal, which was submitted to the AER in January 2025.

CCP32 notes that this Proposal has been prepared in a time of heightened uncertainty and significant challenge. Some key factors influencing Jemena's 2026-31 Proposal which were not present in the 2021-26 Proposal include an increased focus by communities and the Victorian Government on network resilience following a wave of extreme weather events across the State in 2023 and 2024, and a greater emphasis on the impacts of the move to electrification and take-up of consumer energy resources (CER) by Victorian consumers. These influences are further described in Appendices 1 and 2 respectively. Jemena's Proposal also flags an unprecedented increase in demand on their network primarily driven by new large customer connections, including data centres.

This submission focuses on specific areas of Jemena's regulatory proposal on which the AER has requested advice from CCP32

2. Consumer Engagement

Late Appointment of CCP32

For CCP32 there has been very limited capacity to observe engagement activities conducted by Jemena due to the timing of member appointment:

- In the 2023-24 financial year, CCP32 comprised only one member whose capacity to observe Jemena's engagement events was limited
- Two additional sub-panel members were appointed, commencing in July 2024.

In contrast, Jemena began its engagement for the 2026-31 regulatory period early, keen to improve on its well-recognised engagement approach for the previous period. The engagement program commenced in May 2023 with a Co-design workshop involving members of the previous People's Panel, as well as joint engagement with other Victorian electricity distribution businesses on Customer Vulnerability and Framework and Approach. All of Jemena's engagement leading up to the release of a Draft Plan was completed by July 2024.

Following release of the Draft Plan, CCP32 was able to observe the following engagement activities:

- People's Panel Recall Day (in person) – 31st August 2024
- AER/Jemena Structured Engagement Pathway Checkin – 3rd October 2024
- Energy Reference Group Meeting (online) – 10th October 2024
- Customer Deep Dives on Expenditure (online) – 19th and 25th November 2025

This means that CCP32 were not able to observe most of the engagement that was undertaken by Jemena during this time, and have instead relied on desktop reviews of available materials for our assessments of the effectiveness of engagement during the initial 15 months of the program. We recognize that desktop review of materials gives a much more limited perspective compared to being able to observe events in person or online.

What engagement did Jemena undertake?

Jemena created a new People's Panel as the central pillar of its customer and stakeholder engagement for the 2026-31 regulatory reset. The Panel was made up of around 50 individuals who collectively were statistically representative of Jemena's customer base. The Panel met over 5 full days between October 2023 and April 2024 to develop a set of recommendations for Jemena on how they should prepare for a more sustainable energy future while meeting customer and community needs today.

In a new initiative to improve visibility of the needs of customers with different lived experiences, six new Customer Voice groups were established. The customer voice groups comprised 100 customers, who met four times. These groups included customers with disability, customers who experience mental health difficulties, customers from multicultural communities, young people, First Nations Peoples, and seniors. Each group had a senior leader from Jemena to help champion the group to connect, listen and understand their needs. The groups each provided advice and insights to the People's Panel for their consideration in making recommendations given their unique needs.

Another new initiative was Jemena’s appointment of an Energy Reference Group (ERG) – an expert energy panel consisting of 10 energy experts from various industry, commercial, academic, and government sectors. The Energy Reference Group discussed complex issues and provided clear, independent advice and recommendations that have the long-term interests of customers in mind.

Jemena chose which aspects of its proposal would be discussed with each of these three engagement groups. Not all aspects were discussed with all three groups. Some specific examples of where aspects were discussed with ERG on the basis of their technical expertise, and not discussed with the People’s Panel or Customer Voice groups are mentioned later in this report.

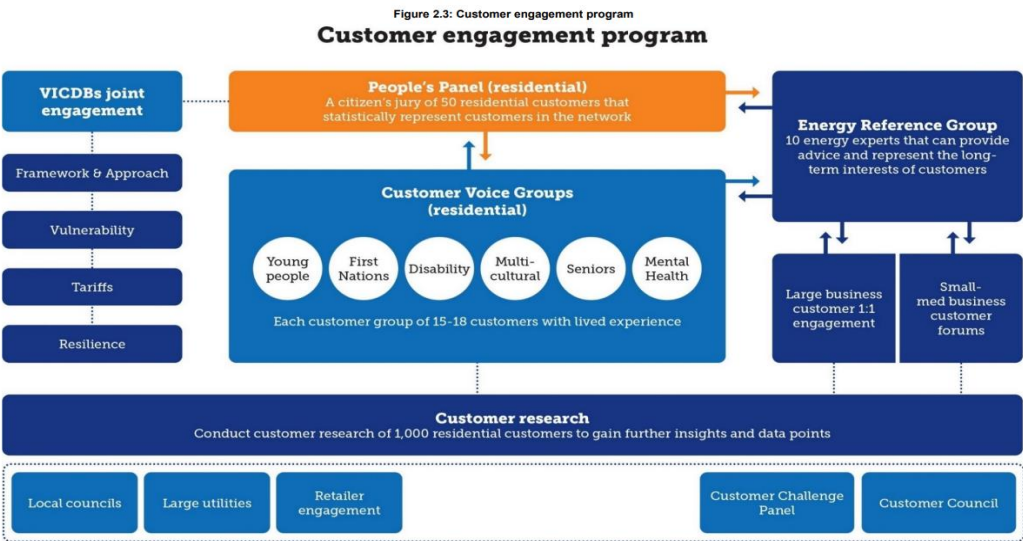
These three main engagement channels were augmented by forums and meetings with large commercial and industrial customers, small to medium sized businesses, local councils and retailers.

Jemena also conducted a research survey of around 1000 residential customers in August 2024, and joint engagement with Victorian electricity distribution network service providers across the topics of framework and approach, affordability and equity, reliability and resilience, network tariffs and customers experiencing vulnerability. Details of the joint engagement activities conducted by the Victorian electricity distribution businesses in relation to tariffs and the outcomes are provided at Appendix 3.

The Draft Plan published in August 2024 provided a significant conduit via which Jemena was able to obtain meaningful and actionable feedback on its proposed directions for the Regulatory Proposal.

Jemena’s ongoing Customer Council was provided with regular oversight of the engagement program.

The figure below shows the various elements of Jemena’s engagement program, and the linkages between them.



CCP32 observations

Our comments on Jemena's customer and stakeholder engagement are guided by the expectations on consumer engagement outlined in the AER's Better Resets Handbook¹.

Expectation	Considerations	CCP32 observations
Expectation 1 – Nature of engagement	Sincerity of engagement	<ul style="list-style-type: none">• Jemena has demonstrated its willingness to sincerely engage with its customers, and a genuine commitment to enhance the quality of their engagement above the level of the award-winning EDPR 2021 engagement program.• We understand that there has been some involvement in the engagement program by Board members and the Managing Director. Executive Manager involvement in engagement events is regular. General managers were assigned as sponsors of Customer Voice groups.• The business responded and changed its engagement approach when needed e.g. engagement with First Nations customers, and the addition of Deep Dive workshops following feedback on the Draft Plan.• Consumers generally had confidence in the process. 85% of participants in the engagement program reported that they felt 'confident' or 'very confident' that they would have influence over the outcome.

¹ <https://www.aer.gov.au/industry/registers/resources/guidelines/better-resets-handbook-towards-consumer-centric-network-proposals>

Expectation	Considerations	CCP32 observations
	Consumers as partners	<ul style="list-style-type: none"> Engagement topics were primarily determined by Jemena e.g. in identifying network challenges. Additionally, issues identified by customers in the People's Panel process and the Customer Voice Groups were addressed in workshops and several were taken forward as recommendations in the People's Panel Final Report. 'Affordability' was identified as the top priority in all of the Customer Voice feedback reports, however in spite of the communication channels that Jemena established to feed issues from the Customer Voice groups for consideration by the People's Panel, it did not feature in the People's Panel Final Report recommendations. The Draft Plan did not address what measures Jemena was taking to proactively address customers' affordability concerns. <p>There was consistent feedback on the Draft Plan from People's Panel members, respondents to the Draft Plan survey and the AER that more should be done in the Regulatory Proposal to address customers' affordability concerns. In response, Jemena hosted 2 Customer Deep Dives on affordability to identify customers' willingness to pay for a set of discretionary expenditure items, and also identified expenditure reductions of \$56m to take forward into the Regulatory Proposal.²</p>
	Equipping consumers	<ul style="list-style-type: none"> Jemena has demonstrated a commitment to collaborate with customers through the People's Panel deliberative forum process. The promise to the Panel was to 'Base the Regulatory Price Determination Proposal on your ideas, priorities and recommendations to the maximum extent possible' and to 'Identify where we can't incorporate a recommendation and clearly explain why'. The Regulatory Proposal outlines how Jemena is planning to respond to each of the identified customer priorities. The People's Panel Manual was made available in 10 languages, and the Draft Plan was made available in 15. The Energy Reference Group has been equipped to provide informed and expert feedback to Jemena on a wide range of more technical matters. They have proven to be an effective sounding board to support Jemena's consideration of broader issues such as integration of renewable energy resources into the grid, customer technology solutions and future network strategies. Details of remuneration arrangements, benefits and supports for participants in the People's Panel, Customer Voice groups and the Energy Reference Group are publicly disclosed.

² Jemena, Customer Deep Dive on Expenditure Session 1, Slide 25

Expectation	Considerations	CCP32 observations
	Accountability	<ul style="list-style-type: none"> As the business-as-usual engagement process post the reset is unclear, we are not aware of the accountability processes for delivery of the commitments included in the Regulatory Proposal. The standing Customer Council was provided with regular oversight of the engagement program.
Expectation 2 – Breadth and depth	Accessible, clear and transparent engagement	<ul style="list-style-type: none"> The Engagement Program was co-designed with customers. An Engagement Strategy for the Electricity Networks 2026-31 Price Reset was prepared in June 2023. Jemena's engagement started early, and allowed sufficient time for a comprehensive People's Panel process, in addition to engagement with Customer Voices, the Energy Reference Group and other Stakeholders. Most of the engagement groups examined a core set of issues from different perspectives e.g. reliability, resilience, tariff structures, digitisation of the electricity network etc.
	Consultation on desired outcomes, then inputs	<ul style="list-style-type: none"> In each engagement stream, the starting point for engagement with customers was customers' lived experience within the electricity system, and this is reflected in many of the recommendations from the customer groups On targeted topics, Jemena has analysed customers' perspectives and translated into corresponding actions, and related bill impacts in the Regulatory Proposal.
	Multiple channels of engagement	<ul style="list-style-type: none"> Engagement channels included People's Panel, Customer Voice Groups, ERG, Small Business Forum, Large Customer Forum, Local Council Forum, and online survey. Participants included end consumers as well as consumer representatives, technical experts and industry representatives. Breadth of engagement has been impressive. Following release of the Draft Plan, Jemena hosted 2 Customer Deep Dive workshops to examine options for discretionary expenditure in more detail. The ERG was engaged deeply on a range of topics.
	Consumers influence on the proposal	<ul style="list-style-type: none"> Engagement activities appeared to have ranged from the 'consult' to the 'collaborate' level of the IAP2 spectrum Jemena made it clear to People's Panel members what could and could not be influenced as part of the engagement process ERG tested Jemena's assumptions and approaches

Expectation	Considerations	CCP32 observations
Expectation 3 - Clearly evidenced impact	Proposal linked to consumer preferences	<ul style="list-style-type: none"> Consumer preferences identified through recommendations from the People’s Panel, feedback from Customer Voice Groups and other stakeholder groups is largely reflected in the Regulatory Proposal. A substantial Draft Plan was released, and successfully used to elicit meaningful and actionable feedback from customers and stakeholders. Outcomes from the Customer Deep Dives on expenditure were included in the Regulatory Proposal eg Innovation expenditure Regulatory Proposal incorporates advice from the ERG eg, Customer Service Incentive Scheme parameters.
	Independent consumer support for the proposal	<ul style="list-style-type: none"> The ERG expressed strong endorsement of the Draft Plan in the Energy Reference Group Draft Plan Report.³ Their comments included <i>“The ERG has responded with overwhelming positivity to the Draft Plan, with all members rating it between 80 and 90 out of 100” (p. 6) and “Jemena’s customer and community engagement efforts have been exemplary and class-leading.” (p. 7)</i>

Jemena engaged independent experts The newDemocracy Foundation to evaluate the engagement program for the People’s Panel and provide action-learning feedback throughout. In its final report, newDemocracy Foundation stated⁴:

“Overall, the People’s Panel was very well run and allowed participants the opportunity to meaningfully influence Jemena’s Business Plan 2026-2031. It met and exceeded all the Better Resets’ expectations of customer engagement.

Jemena’s approach to customer-led decision-making and the integration of deliberative engagement practice into its decision-making processes for the development of the 2026-2031 Business Plan place it at the forefront of global innovation.”

In conclusion, CCP32 agree that Jemena has met, and in many areas exceeded the expectations of the Better Resets Handbook. They have significantly ‘raised the bar’ on their successful 2021-26 engagement program. We commend Jemena for their comprehensive achievement.

³ <https://www.aer.gov.au/system/files/2025-02/JEN%20-%20Att%2002-23%20Energy%20Reference%20Group%20Report%20-%2020241203.pdf>

⁴ <https://www.aer.gov.au/system/files/2025-02/JEN%20-%20NewDemocracyFoundation%20Att%2002-20%20Independent%20Evaluation%20Report%20-%2020240901.pdf>

3. Demand Forecasts

We have been asked for views on:

- how to consider demand risk in assessing expenditure proposals

What does Jemena propose?

Jemena forecasts the amount of annual energy delivered through its network will have increased from 4567 GWh in 2025-26 to 8594 GWh in 2030-31: a significant increase of 4027 GWh, or 88%⁵. The growth in forecast energy consumption includes an increase of around 60% in electricity consumption by residential consumers over 2024 usage levels⁶ driven largely by electrification of gas appliances in households and increased uptake of consumer energy resources such as batteries and electric vehicles. It also includes an extraordinary forecast growth of around 120% over 2024 levels in non-residential consumption which is primarily ascribed to an influx of data centres locating to the Jemena network area.

As Jemena explains, the forecast increase in energy consumption underpins forecast reductions in network distribution charges for the next 5 years:

“We are able to deliver a reduction in distribution charges by an average of 12% in 2026-27 and a further 5.6% each year from 2027-28 until the end of the next regulatory period (excluding inflation), despite the increase in our forecast revenue for the next regulatory period. Our proposed price reduction was enabled by an increase in network utilisation due to a significant increase in load from data centres, major connections and increased consumption from existing customers as they move from using gas to electricity.”⁷

As outlined by the AER in its Issues Paper for Jemena, under a revenue cap form of control, it is customers who face demand risk, rather than the network business. Should demand on the Jemena network not eventuate to the extent envisaged in the Regulatory Proposal, customers will face distribution charges in excess of those published in the Regulatory Proposal. For example, the AER calculates that if energy delivered were to increase at the same rate as we have seen in the current period, customers could see roughly the same average annual distribution network tariffs as 2025-26 levels⁸, in lieu of the 5.6% to 12% reductions forecast in the Regulatory Proposal.

CCP32 observations

Forecasting demand, including demand up to 7 years in the future, is a difficult challenge for network businesses, particularly at this stage in the energy transition when there are such high degrees of uncertainty about how, and how quickly a new energy system will unfold. We were pleased to learn that the AER and Jemena are working closely together to get a better understanding of Jemena’s demand forecasts and associated risks.

⁵ <https://www.aer.gov.au/documents/aer-issues-paper-jemena-electricity-networks-distribution-determination-2026-31-march-2025>, p. 8

⁶ <https://www.aer.gov.au/documents/aer-issues-paper-jemena-electricity-networks-distribution-determination-2026-31-march-2025>, p. 10

⁷ Jemena Regulatory Proposal, p. 98

⁸ <https://www.aer.gov.au/documents/aer-issues-paper-jemena-electricity-networks-distribution-determination-2026-31-march-2025>, p. 8

As the actual level of demand will only become evident over time, potentially impacting later years of the 2026-31 regulatory period, price impacts could become significant at that time and if so, will particularly impact on customers experiencing affordability concerns, including some small and large businesses. Unexpected price increases will only erode customers' trust in the business and in the regulatory process.

CCP32 is not aware of engagement with the People's Panel or Customer Voice groups which discussed these scenarios and the possible implications. The ERG discussed this issue at its April 2025 meeting, and speculated whether a revised "back-ended" price path could be employed as a buffer to mitigate against possible price increases in the later years of the regulatory period.

We suggest that the following actions be considered:

- AER and Jemena to investigate what flexibility might be available in the regulatory process eg. re-opener provisions, contingent arrangements etc. to accommodate this level of demand uncertainty, and to protect customers from unexpected and significant price rises.
- Jemena and the AER consider the merits of a revised price path for the 2026-31 period.
- Should sizeable changes to the demand forecasts become evident prior to submission of Jemena's Revised Proposal, further engagement be carried out with customers to confirm whether or not they remain comfortable with the proposed levels of expenditure driving network charges in the next period.

Re-opener (and similar) provisions should be symmetrical. They should apply equally if energy forecasts outturn significantly higher or lower than the forecasts on which the AER's final determination for 2026-31 is based.

4. Network prices and revenue requirement

What does Jemena propose?

Jemena has proposed a total revenue of \$1,846 million to be recovered from electricity customers over the 2026-31 period. This is 15% higher than what was approved for the 2021-26 period. Based on this revenue forecast, customers' network distribution charges are forecast to decrease by an average of 12% in 2026-27 and a further 5.6% each year for the remaining years of the next regulatory period in real dollar terms.⁹

Jemena anticipate exceeding the AER's approved capital expenditure allowance in the current period due to unprecedented and unforeseen growth in the number of data centres and other large customers seeking to connect to the network. Subsequently, Jemena has applied to 'reopen' their current period determination to account for this unforeseen and material increase in expenditure¹⁰. The AER is currently assessing Jemena's application.

In preparing their Regulatory Proposal for 2026-31, Jemena has assumed that the reopener application is approved as submitted to the AER. As a result, Jemena is projecting a Capital Expenditure Sharing Scheme (CESS) reward of \$3 million. If Jemena's reopener application is not approved by the AER a CESS penalty of \$36 million would apply.

CCP32 observations

This is another example of the uncertainties facing Jemena in the preparation of this Regulatory Proposal. Jemena's position on the exclusion of connections expenditure from CESS calculations has been consistently argued, and is reflected throughout the Proposal. However, the decision on the reopener application could have a material impact on the forecast price outcomes for customers.

Due to the timing of the reopener application (October 2024), this issue was not discussed with the People's Panel or Customer Voice groups, as their involvement in engagement for the regulatory proposal was largely completed several months earlier. The ERG was kept informed as the reopener application was developed, however we are not aware of any consideration of potential bill impacts should the application not be accepted.

Depending on the outcome of the reopener application, CCP32 suggest further engagement with customers may be necessary to confirm whether or not they remain comfortable with the proposed levels of expenditure driving network charges in the next period.

⁹ Jemena Regulatory Proposal, p. 97

¹⁰ Ibid, p. 91

5. Capital expenditure

We have been asked for views on:

- Jemena's 'Customer experience' ICT capex proposal.

What does Jemena propose?

Jemena is forecasting a capital expenditure of \$154 million for ICT in the next regulatory period. This is 32% higher than the expected capital expenditure for the current regulatory period.¹¹

Included within this forecast expenditure are two ICT investment proposals which include discretionary improvements to Jemena's 'customer experience' and which are supported wholly or in part by customer engagement:

- IT Investment Brief – Customer Education¹²
 - Increasing customer education through utilising the ICT platforms and helping to engage customers in their energy usage.
 - Developing integrated education programs to generate awareness of energy-saving tips, the energy supply chain, rooftop solar, energy-efficient appliances, pricing and tariffs, and understanding electricity bills.
 - Proposed capex for this work is \$4.3 million
- IT Investment Brief – Outage preparedness and response¹³
 - To respond to customer expectations regarding notifications of outages, including providing more accurate and timely information, and providing more proactive communication from JEN.
 - Proposed capex for this work is \$1.96 million.

CCP32 Observations

CCP32's observations of engagement on Jemena's proposed Customer Education and Network Resilience Packages are discussed in the Opex Step Changes section of this Advice (Section 6).

In relation to the preferred Customer Education Package (Package 2), there was implicit support from participants for elements of the package such as:

- Dedicated customer portal
- Enhanced solar and EV connections processes
- Two-way chat across multi-channel
- Collaboration with Local Councils
- In language personalisation on customer channels.

There was not a consistent level of support for other elements of the package including:

¹¹ Jemena Regulatory Proposal, p. 75

¹² <https://www.aer.gov.au/system/files/2025-02/JEN%20%E2%80%93%20RIN%20%E2%80%93%20Support%20%E2%80%93%20ICT%20Investment%20Brief%20-%20Customer%20education%20%E2%80%93%2020250131.pdf>

¹³ <https://www.aer.gov.au/system/files/2025-02/JEN%20%E2%80%93%20RIN%20%E2%80%93%20Support%20%E2%80%93%20ICT%20Investment%20Brief%20-%20Outage%20Preparedness%20and%20Response%20%E2%80%93%2020250131.pdf>

- Energy education material
- Energy saving tips
- Understanding electricity bills
- Education programs on sustainability and bill savings
- Digital calculator to help bill calculations.

In relation to the preferred Network Resilience Package (Package 2), there was strong support for improvements in notification of outages to customers.

6. Operating expenditure

We have been asked for views on:

Opex step changes

- CCP32 views on whether the step changes meet our framework as a number seem to be more discretionary, more based on consumer support, or are expansions of existing activities and requirements rather than driven by a new reg obligation, a capex to opex trade off or new material increase in costs from an external driver out of the DNSPs control as required under the NER.
- Views on quality of customer engagement, especially for step changes the DNSPs claim are supported by or consistent with consumer wishes, including if / how costs and benefits of the step change were consulted on, affordability and vulnerable customers were engaged, and if / how DNSPs responded to customer views in their proposals
- Views on small step changes and whether they are / should be covered by base and trend or should be absorbed, particularly given affordability concerns and that the historical opex for a number of Victorian DNSPs has been below the AER's forecasts over recent regulatory periods.

Opex Step Changes

What does Jemena propose?

As shown in the following table, Jemena has identified six opex step changes, some of which comprise multiple components, with a total value of \$41.4m¹⁴ or 7.2% of its total forecast opex.

¹⁴ Jemena Regulatory Proposal, Attachment 06-04, p. v

Step change	Description	AER category	Total
Customer communications and education	To develop and implement new and expanded ICT capability to deliver integrated customer education programs that have been requested by our customers	Supported by our customers through engagement and to meet accepted good industry practice	4.3
ICT services	To develop and implement new and expanded ICT capability to meet new regulatory obligations; new or expanded ICT capability, functions, and services to meet our customers' expectations; and for ongoing operational expenses associated with a non-recurrent project or initiative for new capacity that continue beyond its initial implementation phase (in the current regulatory period, the Australia Energy Regulator (AER) allowance generally treated these expenses as capital expenditure)	New regulatory obligations, supported by our customers through engagement, operating expenditure / capital expenditure trade off, and/or to meet accepted good industry practice that result in net benefits to customers	21.6
Consumer Energy Resources (CER) Integration Strategy initiatives	These costs are necessary to ensure that we meet community and regulatory expectations in operating our network, maintain compliance with the Electricity Distribution Code of Practice (EDCoP) standards during increased solar export to the network, maintain grid stability and connect our customers to renewables and accommodate more customer energy resources into our network without affecting its reliability	Reflects accepted good industry practice, operating expenditure / capital expenditure trade off, that result in net benefits to customers	3.0
Other regulatory obligations	These costs are necessary to improve our annual validation testing as part of new obligations under our bushfire mitigation plan and to comply with the Energy Safe Victoria (ESV) REFCL operations policy	New regulatory obligation	4.9
Network reliability initiatives	These costs are necessary to improve how we manage reliability when faced with extreme weather events and electrification of the energy system, and respond to recent Victorian government reviews in managing network resilience	Likely new regulatory obligations, supported by our customers through engagement and to meet accepted good industry practice	4.9
Safety initiative	These costs are necessary to meet customer expectations for communities in the management of hazardous trees in Low Bushfire Risk Areas (LBRA)	Supported by our customers through engagement and to meet accepted good industry practice	2.6
Total			41.4

This CCP32 Advice will focus on those step changes which Jemena has identified as being wholly driven by customer preferences, or driven by customer preferences to a large extent¹⁵ i.e.

- Customer communications and education (\$4.3m)
- Network reliability (resilience) initiatives (\$4.9)

CCP32 observations

CCP32 is guided by the expectations for step changes set out in the AER's Better Resets Handbook¹⁶. The Handbook identifies three possible drivers for step changes:

- New regulatory obligation
- Capex/opex substitution
- Major external factors outside the control of the business.

It is not immediately clear that each of the proposed step changes results from the nominated drivers. We discuss this in more detail in the following section in relation to specific opex step change proposals.

¹⁵ Jemena, ERG Presentation 26 February 2025, p. 17

¹⁶ <https://www.aer.gov.au/industry/registers/resources/guidelines/better-resets-handbook-towards-consumer-centric-network-proposals>

1. Step change – Customer communications and education

Jemena describes the proposed Customer communications and education step change (\$4.3m) as ‘discretionary spend over and above the cost plan’¹⁷. It is not driven by a new regulatory obligation, or a capex/opex trade-off. It is hard to identify a major external driver outside the control of the business which has resulted in the need for this step change, unless it is the broader ‘energy transition’ which is leading to increased customer needs and expectations. This step change is presented as an opportunity to provide items that add value to customers, and for which customers are willing to pay more.

As this step change represents a modest extension of current facilities and programs, CCP32 suggest it may be possible that its costs are already included in the output growth component of the opex forecast, meaning that the costs associated with this program may simply be absorbed within normal opex allowances.

Additionally, included within the enhanced features to be delivered for customers as part of this step change is “Enhanced solar & EV connections processes”. CCP32 note that satisfaction with new connections is one of the proposed measures for a new Customer Service Incentive Scheme. (Refer Section 7). We question whether funding for this component of the step change may result in ‘double dipping’ when seeking incentive payments for customer satisfaction with connection processes under the CSIS.

This step change proposal arose largely from recommendations 7 and 15 of the People’s Panel Final Report¹⁸, and was supported by feedback obtained from the Customer Priorities Survey¹⁹ conducted in August 2024.

The People’s Panel recommended:

Recommendation 7 – Customer Education

- *Provide customers with tailored information to guide their decisions about energy usage and investments to reduce their costs and use renewable energy, for example*
 - *How time-of-use tariffs affect bills, and strategies to benefit from this*
 - *Benefits of investing in rooftop solar, batteries, and EVs*
 - *Impact of appliances on bills and sustainability*
- *Ensure information is easy to access, understood by all customers, relevant and practical. Particularly important to communicate through diverse channels and media to reach customers with different abilities.*

And

Recommendation 15 – Efficient and accessible communication from Jemena to customers

¹⁷ Jemena, Customer Deep Dive on Expenditure Session 1, Slide 32

¹⁸ https://hdp-au-prod-app-jemena-gridtalk-files.s3.ap-southeast-2.amazonaws.com/9217/1384/3419/Jemena_Peoples_Panel_Report_-_FINAL.pdf

¹⁹ Sagacity Research, JEMENA PRICE RESET – CUSTOMER PRIORITIES Research Report, August 2024

- *Increase access to special needs customers with accommodations for advocates or a proxy as point of contact.*
- *Accessible and varied channels of communication to ease customer access*
- *Timeliness of communication*
- *Transparent and clear information*
- *Make Jemena more approachable to customers through two-way communication*
- *Continuous development focused on improved communication.*

The Customer Communications and Education step change represents the opex associated with 2 ICT capex proposals:

- ICT Investment Brief – Customer systems – 20250131 – to continue to maintain existing systems that provide services to customers. This includes fault reporting tools, contact management systems, connection and application services, and communications.
- ICT Investment Brief – Customer education – 20250131 – to develop and implement new and expanded ICT capability to deliver integrated customer education programs²⁰.

CCP32 has been advised that the decision to proceed with the Customer Communications and Education step change was made at around the same time as the Draft Plan was published and therefore it was not included in the Draft Plan. Because this step change was not included in the Draft Plan, no general customer or stakeholder feedback was provided at the draft stage of the process. However, Jemena engaged with its end customers (People’s Panel and Customer Voice members) on options for a Customer Education Package in a Deep Dive on Expenditure in November 2024. The purpose of this component of the Deep Dive was “To identify a preferred package to support customer education.”

At the Deep Dive, customers were informed that the following elements were already included in the Draft Plan:²¹

- A new dedicated customer online portal
- Enhanced customer channels & touchpoints, and back-end customer knowledge management
- Integrated education campaign
- Accessible communications across all channels & in multiple languages
- Customer systems to allow for near real-time communications and two-way SMS chat.

Customers were then presented with three aggregative options for a Customer Education Package over and above this base position. Information on the package details was provided to participants prior to the workshop as pre-reading. These package options were described as:

- Package 1: Essential Education (which appears to duplicate some elements of the elements already in the Draft Plan) at a cost of \$5.4 million over 5 years, or \$1.15 per year for a residential customer
- Package 2: Education & Customer Empowerment at a cost of \$8.2 million over 5 years, or \$1.75 per year for a residential customer
- Package 3: Education & Customer Empowerment PLUS at a cost of \$10.2 million over 5 years, or \$2.18 per year for a residential customer.²²

²⁰ Jemena Regulatory Proposal, Attachment 06-04, p. 4

²¹ Jemena, Customer Deep Dive on Expenditure Session 1, Slide 44

Customers were not offered the option of Package 0 – no additional expenditure beyond the base Draft Plan provisions. Jemena explained that Package 0 was not included as an option because customers had already indicated in earlier workshops that they wanted to see a customer education package included in the proposal. However, several customers at the workshop wanted to consider an option of Package 0, and expressed support for Package 0.

While Jemena has reported that Packages 2 and 3 were equally most favoured, and have included Package 2 as the least cost option for the Regulatory Proposal, our observation of the Deep Dive workshop indicated that there was a considerable variation in customer preferences spread across the full spectrum of responses. This included support for Package 0 even though it wasn't included as an option.

Some of the verbatim comments from participants during discussions and in the workshop Group Map included:

"I would not pick a package"

"I'm not sure any would add value"

"Do we need all this extra stuff. People who would use this stuff are already looking elsewhere. I would look for a Government or Regulator website in preference if I want independent information"

"Why should customers pay for what is available from retailers anyway"

"The information is the same for all retailers and all DNSPs, so why do they all have to do it"

"They are only responding to our requirements"

Package 1

"Although this is a baseline package, I'd like to think this is a good starting point. And I'd like to see collaboration across all the other distributors for Package 2 and Package 3 type solutions. I'd like to see this as an industry education package, and industry funded ie shared across all distributors and distributors customers"

Package 2

"Option 1 is already available elsewhere. Option 2 has some value"

"Personally, I always choose the mid-range"

"If we are going to pay for information, we would pay for portals and resources that we would use, so package 2 seems to be reasonable, and would represent middle ground"

Package 3

"Given the importance we placed on education during our in-person sessions, think this is important to educate so customers can make informed decisions"

"Like that it covers different preferences for learning – age, language etc"

²² See Jemena, Customer Deep Dive on Expenditure Session 1 for details of each package

Jemena has indicated that they will increase customer education through existing ICT platforms and help to engage customers in their energy usage by developing integrated education programs which will include generating awareness of energy-saving tips, the energy supply chain, rooftop solar, energy-efficient appliances, pricing and tariffs, and understanding electricity bills²³.

CCP32 concur with comments expressed by a range of Deep Dive participants who were concerned that Jemena customers would be paying for aspects of a customer education program that duplicates information that is available elsewhere. It was clear during the customer discussions that we observed, and from the surveys, that customers are seeking this type of information, and want it to be provided by a trusted source. It is less clear that each DNSP, including Jemena, best serves its customers' needs by developing, making available and maintaining this type of information resource independently.

2. Step change – Network reliability (resilience) initiatives

The Network Resilience step change is another step change that Jemena describes as 'discretionary spend over and above the cost plan'. In this case however, there appears to be a major external driver outside the control of the business which is the increasing prevalence of extreme weather events and the associated impacts on electricity networks. This implies that the network resilience step change will meet the criteria for step changes set out in the Better Resilience Handbook. In addition, Jemena explains that it is likely that increased expenditure on network resilience will become a new regulatory obligation in the future through the Victorian Government's Network Outage Review process and/or the AEMC's Rule Change process.

The People's Panel made a recommendation relating to resilience in its Final Report:

Recommendation 4 - Jemena needs to prioritise investing in network resilience so it can withstand and recover from the effects of a natural hazard or disaster²⁴.

In their response to the People's Panel draft recommendation in April 2024, Jemena proposed a program of work which would increase expenditure in the next regulatory period by \$54m, with an associated bill impact of \$1.88 per year for a residential customer²⁵.

During the People's Panel Recall Day in August 2024, Jemena engaged with the People's Panel members, seeking feedback on customer preferences for network resilience expenditure options. Jemena presented three expenditure options: Targeted, Balanced and Supercharged, as well as a 'do nothing' option. It was stated that a targeted approach would not be fair to all customers, that the Supercharged option would be exorbitantly expensive, and the 'do nothing' option would not align with customer preferences or government direction, leaving the 'balanced' option as Jemena's preferred option with a bill impact of \$5 per residential customer per year. Indeed, the balanced option did receive the majority support from participants on the day.

Responding to affordability concerns raised in feedback on their Draft Plan, Jemena held a Customer Deep Dive on Expenditure in November 2024 in which 3 aggregative options for a Network Resilience Package were presented. Information on the package details was provided to participants prior to the workshop as pre-reading. These package options were described as:

²³ Jemena Regulatory Proposal, Attachment 06-04, p. 3

²⁴ Jemena, People's Panel Final Report, April 2024

²⁵ Jemena, People's Panel Preliminary Recommendations: What we could do, Slide 8

- Package 1 Essential Resilience at a cost of \$6.9 million over 5 years, or \$1.34 per year for a residential customer
- Package 2 Equitable Resilience at a cost of \$23.5 million over 5 years, or \$1.68 per year for a residential customer
- Package 3 Strengthening Resilience at a cost of \$40 million over 5 years, or \$2.02 per year for a residential customer.²⁶

Customers were not offered the option of Package 0 – additional expenditure beyond the base Draft Plan provisions. Jemena explained that Package 0 was not included as an option because customers had already indicated in earlier workshops that they wanted to see a network resilience package included in the proposal.

CCP32 observed a strong preference for Package 2 during these discussions, with much less diversity of views than was apparent when discussing other topics in the workshops. Comments included *“Package 1 is the least they could do. We expect that anyway”*, and *“We can move to Package 3 over time”*.

In August 2024, Jemena published a Network Resilience Addendum to its Draft Plan and sought feedback from customers and stakeholders on the proposed resilience initiatives²⁷.

Responses to the Draft Plan proposals were generally very supportive and included comments such as:

“All good - great to see Jemena is working on the network resilience.”

“balanced is the way to go”

We confirm that the Network Resilience step change represented by Package 2 is supported by Jemena’s customer engagement.

²⁶ See Jemena, Customer Deep Dive on Expenditure Session 2 for details of each package

²⁷ https://hdp-au-prod-app-jemena-gridtalk-files.s3.ap-southeast-2.amazonaws.com/2217/2436/7711/JEN_Draft_Proposal_-_Resilience_addendum.pdf

7. Incentive Mechanisms

We were asked for advice on:

- Does CCP32 have any views on best practice for developing the CSIS incentive design and the appropriateness of each DNSP's CSIS engagement, noting that the CSIS requires genuine engagement, collaboration and co-creation with the DNSP's customers?
- Does CCP32 consider that CSIS targets based on historical average performance genuinely encourage improvement against performance parameters, or would this be merely encouraging the status quo or very minor improvements only? Should performance targets significantly improve on historical average performance?

Customer Service Incentive Scheme

What does Jemena propose?

Jemena is proposing to implement a new Customer Service Incentive Scheme (CSIS) for the 2026-31 regulatory period²⁸. The CSIS was introduced by the AER in July 2020. Jemena note that *'To date, we are the only Victorian electricity distributor that has not proposed a CSIS'*.

The CSIS has been proposed in response to the following recommendation from the Jemena People's Panel²⁹:

Customer service and the provision of ongoing service excellence by:

- *Ensuring ongoing service standards to our customers in delivering services across the network*
- *Ensuring excellence at all levels, benchmarked with our peers*
- *Focusing on KPIs that are transparent, monitored, tracked and communicated publicly*
- *Providing opportunities for feedback and performing internal reviews to identify opportunities for improvement to service standards*

Based on this recommendation Jemena developed a set of potential CSIS measures and weightings internally, based on a set of criteria which included 'importance to customers', and reviewed the proposed design with the ERG to arrive at the final design.

Jemena's proposed CSIS incorporates four customer service metrics:³⁰

- Fault-line telephone answering - the number of calls to the fault-line which are answered within 30 seconds.
- SMS unplanned outage notification – the number of minutes between the start of an unplanned outage and the customer receiving an SMS message advising them of the outage.
- Planned outages - Measuring customers' satisfaction with their planned outage experience.
- New connections - Measuring customers' satisfaction with their connection journey.

²⁸ Jemena Regulatory Proposal, p95

²⁹ Ibid

³⁰ Jemena Regulatory Proposal, Attachment 07-01 Incentive Mechanisms, p18

For each measure, Jemena has put forward a measurement methodology and performance target. The performance targets are based on a 5 (or 3 for SMS planned outage notification) year average of historical performance. See Table 3-1 below.

Table 3-1: Proposed CSIS Metrics

Metric	Definition	Weighting	Measure	Target
SMS unplanned outage notification	Average number of minutes between the start of an unplanned outage and the time that JEN's ICT systems send an SMS message to impacted customers advising them of the outage.	25% of total revenue at risk	Minutes	13.7 minutes
Fault-line telephone answering	Percentage of phone calls to JEN's fault-line which are answered within 30 seconds.	25% of total revenue at risk	Percentage of calls answered within 30 seconds	64.24%
Planned outages	Average customer satisfaction score with the planned outage experience.	25% of total revenue at risk	CSAT score	8.39
New connections	Average customer satisfaction score with the connection journey.	25% of total revenue at risk	CSAT score	7.75

CCP32 observations

Engagement on CSIS with the People's Panels

Jemena report that for the current regulatory period, a CSIS was not supported by customers because they were of the view that:

- *telephone answering parameter, included in the STPIS, was an adequate incentive to drive strong customer service, and*
- *the (previous) people's panel felt that excellent customer service should be a matter of fact, rather than subject to an incentive mechanism.*³¹

In response to the (current) people's panel draft recommendation on customer service for the 2026-31 reset (listed above), Jemena proposed:

We propose to deliver ongoing service excellence to customers by:

- *Exploring a mechanism to hold Jemena accountable to achieve service excellence and high quality customer service*
- *Benchmarking against peer businesses for transparency and objectivity, and communicate and publish the results for customers.*³²

However, Jemena's response did not mention development of a CSIS, and was presented as having a \$0 cost impact for customers.

The people's panel final report in April 2024 re-iterated the customer service recommendation from its draft report, with no mention of a CSIS.³³

³¹ Jemena regulatory Proposal, Attachment 07-03, Customer Service Incentive Scheme, p. 1

³² Jemena, People's Panel Preliminary Recommendations: What we could do, p. 12

Therefore, CCP32 have not seen evidence that the (current) People's Panel who were assembled to represent Jemena's customers either recommended or supported introduction of a CSIS, or that their views differed from the previous People's Panel in relation to the desirability of an incentive scheme for customer service. People's Panel members were not engaged in discussions about potential CSIS bill impacts, specific performance measures, weightings or targets.

CCP32 observe that the People's Panel recommendations could equally be addressed by developing a customer service reporting framework without an associated incentive scheme.

Engagement on CSIS with the ERG

In July 2024, Jemena held a deep dive with the ERG to seek feedback on the proposed CSIS design developed by Jemena, including suitability of proposed metrics and the assignment of weightings. The ERG endorsed the proposed CSIS. We note that ERG members were recruited as a panel of individual energy experts to advise Jemena on the 2026-31 reset, they are not necessarily Jemena customers or customer representatives.

It is not apparent that the ERG discussed potential bill impacts, proposed revenue at risk or proposed target measures.

Engagement on CSIS with the ongoing Jemena Customer Council

CCP32 is not aware of the Jemena Customer Council being engaged in relation to development of the proposed CSIS.

CSIS in the Draft Plan

A proposal to develop a CSIS was included in Jemena's Draft Plan which was published in August 2024.³⁴ Jemena's engagement on the Draft Plan sought responses to two questions in relation to the CSIS:

- What do you think about our proposed Customer Service Incentive Scheme (CSIS) measure and weightings?
- Do you have other suggestions on what CSIS measures are important for you?

Respondents were not asked "Do you support the introduction of an incentive scheme for customer service?"

Nevertheless, responses to the questions posed were generally supportive or neutral³⁵.

Compliance with the AER's CSIS incentive design criteria

Based on the above observations, CCP32 question whether there is sufficient evidence that Jemena's proposed CSIS meets the design criterion "Customers of the DNSP strongly support the application of the incentive design".

³³ Jemena, Peoples Panel Report – FINAL, p. 20

³⁴ Jemena, 2026-31 DRAFT PROPOSAL, p. 107

³⁵ Jemena, Feedback on 2026-31 DRAFT PROPOSAL, September 2024, pp 26-29

CSIS Performance Targets

Jemena has advised that its proposed baseline targets are aligned with the AER's CSIS explanatory statement, which requires networks to "establish a baseline or neutral level of performance, which in normal circumstances should be at least equal to the historical performance of the DNSP".³⁶

The objective of a Customer Service Incentive Scheme is to encourage improvements in customer service performance that customers are willing to fund. The inherent ambition for customer service excellence reflected in the People's Panel customer service recommendation will not be achieved by merely seeking to match historical performance levels. Incentive rewards should only be paid on the achievement of stretch targets, not on business-as-usual performance.

CCP32 expects that Jemena will develop a CSIS incentive payment structure in collaboration with its customers which identifies a baseline target above the historical performance, minimum and maximum targets and incentive rates.

³⁶ AER, Final Decision Customer Service Incentive Scheme, section 3.2 July 2020

8. Tariffs

We have been asked for views on:

1. CCP32 views on how tariffs in general were explained by the DNSPs and understood by stakeholders and how meaningful CCP32 found the engagement. For example, this might include whether feedback from stakeholders was incorporated into the proposals and if not, did the DNSPs explain why feedback was not incorporated.
2. Whether CCP32 consider there are any specific consumer perspectives/concerns overlooked or not well addressed.
3. Based on CCP32 observations on engagement does CCP32 have any thoughts on the proposed small business tariffs and assignment policies

What does Jemena propose?

Jemena participated in the joint Victorian electricity distribution businesses engagement on tariff structures. See appendix 3 for details.

Jemena has adopted the common approach to tariff structures as agreed with other distributors, with few minor exceptions.

CCP32 observations

CCP32 has not observed Jemena's specific engagement with its customers on tariffs.

The People's Panel Final Report included two recommendations on tariffs:

- Recommendation 1 - Equitable and Fair Tariff Reform
 - Implement a tariff structure that is fair for different types of consumers e.g. solar (with or without battery) vs non solar. Tariff structure to be as follows to make it fair based on your usage and supply capability.
- Recommendation 13 - Transparency in Tariff Structures to allow consumer choice
 - Provide clarity of tariff structures (relevant times/prices) to assist consumers in making informed decisions that align with their energy needs and preferences against the offered tariff structures
 - Achieve better understanding of the different advantages/disadvantages of various tariff structures for solar and non-solar customers.

The ERG endorsed the need for customers to be supported through the adoption of new tariffs. Jemena consulted the ERG on the question "Should Jemena diverge from the other DNSPs?" on tariffs in February 2024.³⁷ The ERG stressed the importance of consistency across the Victorian businesses, and encouraged Jemena not to diverge from the joint industry position. Engagement with customers generally supported the proposed joint Victorian DB tariff structures.

³⁷ <https://www.aer.gov.au/system/files/2025-02/JEN%20-%20MosaicLab%20Att%2002-09%20Energy%20Reference%20Group%20process%20report%20-%2020240105.pdf>, p. 28

Appendix 1 – Network Resilience

Resilience has been a substantial issue for network businesses over recent years, both in Australia and overseas. For example, NSW DNSPs in their 2024-29 resets placed a major engagement effort on resilience, driven by significant ‘events’ including major bushfires in 2019/20, repeat flooding events and damaging storms.

In April 2022 the AER released a resilience guidance note³⁸ to provide guidance to network businesses as well as consumers about how they would consider resilience specific (as opposed to reliability focused) expenditure proposals. This guidance note included:

“To support evidence that resilience funding is prudent and efficient to achieve the expenditure objectives, the AER expects NSPs to demonstrate, within reason, that:

- 1. There is a causal relationship between the proposed resilience expenditure and the expected increase in the extreme weather events.*
- 2. The proposed expenditure is required to maintain service levels and is based on the option that likely achieves the greatest net benefit of the feasible options considered.*
- 3. Consumers have been fully informed of different resilience expenditure options, including the implications stemming from these options, and that they are supportive of the proposed expenditure.”*

The report also recognised that promoting community resilience is important too, defining this as:

“The ability of communities to withstand and recover from the impacts of natural disasters.”

More recently a report considering The Value of Network Resilience was published in September 2024.³⁹ In releasing the final decision of this process, the AER noted:

“Our initial value will be applied to the upcoming Victorian distribution networks electricity determinations for 2026-2031. Victorian distribution businesses are expected to use this initial value to inform their proposed resilience investments in their networks as part of their regulatory proposals.”

In releasing this report, the AER also said that *“we will continue to work with stakeholders to develop a more robust and enduring approach throughout 2025.”*

CPU businesses and Jemena made submissions to the process and were supportive of the direction being taken, with the CPU businesses highlighting that:

“The wealth of knowledge from customer and stakeholder engagement to date should be appropriately utilised in pricing determinations.”

The Victorian Government has also been giving policy attention to electricity network resilience with a review conducted between September 2021 and May 2022 and the Expert Panel making 35 recommendations. More recently the Energy Minister stated on 20 December 2024.⁴⁰

³⁸ <https://www.aer.gov.au/system/files/Network%20resilience%20-%20note%20on%20key%20issues.pdf>

³⁹ <https://www.aer.gov.au/industry/registers/resources/reviews/value-network-resilience-2024/final-decision>

⁴⁰ <https://www.premier.vic.gov.au/sites/default/files/2024-12/241220-Building-Power-Network-Resilience-In-The-Face-Of-Storms.pdf>

“The Government initiated the independent Network Outage Review following the February 13 (2024) storm event, which caused widespread damage to around 12,000 kilometres of powerlines lines, and left over 531,000 customers off power supply at its peak.

Implementing these recommendations will ensure Victoria’s privately-owned electricity transmission and distribution businesses are better equipped to prevent, prepare for, and respond to severe weather events....

The final design of this scheme and payment amounts will be subject to consultation”

It is expected that there will policy and program decisions about resilience announced during 2025, which will likely impact on the DNSPs and be reflected in their revised revenue proposals late in 2025.

The Victorian DNSPs have been part of the processes to consider regulatory approaches to resilience.

Victoria experienced major flooding and storm events over 2021-24, while memories of ugly “Black Summer” bushfires of 2019-20 are still fresh for some communities. In developing their regulatory proposals, the Victorian DNSPs have undertaken resilience specific engagement with consumers, including:

- The five Victorian DNSPs shared in a resilience focused workshop in October 2023 with about 70 participants from 40 organisations developing joint resilience investment principles to be used to underpin a “framework for engaging with customers and stakeholders”
- The five DNSPs also agreed to establish a “*Resilient Network Investment Framework to provide structure, guidance, principles and criteria for resilience investment decision-making for the 2026-2031 period*”⁴¹

CCP32 observations

There can be little doubt that the “black summer” fires and major storms through 2021 and 2024 have left consumers, governments and electricity networks all anxious about the risk of more frequent and high impact extreme weather and fire events. Resilience is consequently a crucial topic for DNSPs to be actively considering and engaging on with customers and stakeholders.

The Victorian DNSPs are to be commended for affording resilience a level of priority and for their commitment to plan together and to engage actively with consumers and stakeholders, including State and Local Governments.

While there was some difference in consumer opinion about the priority responses to extreme weather risk, in significant part based on geography, the key messages that were almost universal were that recovery after a weather event and availability of clear, timely and accurate information are both crucial.

The networks have heard these messages and responded, we think, with an appropriate focus on readiness for returning electricity supply as soon as safe, after an extreme weather event. Expenditure on strategies including response vehicles (eg MERV), mobile generators and batteries add to existing network capacity, are appropriate priorities and are modest in the DNSP proposals.

⁴¹ <https://engage.unitedenergy.com.au/regulatory-reset/resilient-network-investment-framework>

Similarly, well located community liaison and support staff are a prudent expenditure able to work with communities, enhance preparedness and assist in bringing together local community groups and plans, all building trust and cohesiveness, particularly in post event recovery. Again, we consider that the proposed expenditure of this nature is modest and appropriate.

The more vexed question is about the extent of capex that it is prudent to spend on “network hardening,” where this comprises major capex projects.

Where resilience spending also supports higher priority capex expenditure that provides value to customers, it is appropriate. The proposed Powercor spending on SWER line upgrades in parts of their rural region is a case in point.

The Victorian DNSPs have consulted effectively on resilience concerns and have heard customer and stakeholder concerns and priorities. Their regulatory proposal expenditures are responsive to consumer and community priorities, modest (compared to what they could have been) and well considered.

The challenge for all five businesses is to continue to engage effectively with consumers and communities and to efficiently deliver what they have agreed to.

Appendix 2 – Electrification and Consumer Energy Resources

Electrification

The energy sector in Australia is rapidly changing to a model of renewables-based distributed generating resources. Electrification is supporting the move of the energy sector towards net zero emissions targets, and involves the shift in end uses of electricity – including transport and heating- away from fossil fuel sources.

In August 2024, the Victorian Government published a document titled Cheaper, Cleaner, Renewable: Our Plan for Victoria's Electricity Future. The document forecasts that by 2035⁴²:

- *Electricity use will increase by about 50% compared to 2024, driven by the electrification of homes and businesses, uptake of electric vehicles, and new industrial load growth.*
- *There will be an increasing amount of electricity use through the conversion of gas products to electricity and through transport, with the addition of 1.4 million electric cars and an equal amount of charging ports. Electric vehicles will consume 8 terawatt hours of electricity every year, while an additional 7 terawatt hours of annual electricity consumption will be associated with electrification - gas usage that will be replaced with electricity.*
- *To support this increase in consumption, about 11.4 GW of new grid-scale renewable generation projects will need to be connected to the Victorian transmission and distribution networks, with a total of 222 offshore wind turbines and 900 additional land-based turbines.*
- *Around 7.6 GW of additional rooftop solar (an extra 27 million solar panels) and 4.3 GW of distributed storage will be installed, including behind-the-meter batteries, demand-side participation and smaller front-of-meter assets such as neighbourhood batteries.*

The Victorian Government's plans to shift away from fossil gas usage are detailed in Victoria's Gas Substitution Roadmap, a document which is updated annually. Key features of the December 2024 update include:

- Listing policy actions that have been taken to date, including the gas connections moratorium, strengthening national efficiency standards for new homes and prohibiting gas distribution businesses from providing incentives to connect gas, and
- Highlighting actions that are under consideration including energy efficiency standards for rental homes and mandating the progressive electrification of existing buildings.

Consumer Energy Resources (CER)

Consumer Energy Resources is the term used to describe energy technology that is installed at a customer's premise, and includes solar pv, battery storage and electric vehicles.

As at August 2024, solar panels were installed on 30% of Victorian homes, and this number is expected to continue growing over the next regulatory period.

While rooftop solar provides many benefits, including savings for customers and a reduction in Victoria's carbon emissions, high solar uptake can also lead to system security challenges such as minimum system load.⁴³

⁴² <https://www.energy.vic.gov.au/renewable-energy/victorias-electricity-future>

⁴³ Powercor, Regulatory Proposal 2026-31, p. 11

The cost of battery storage is rapidly declining and is likely to continue to decrease. The Australian Energy Market Commission (AEMC) also noted that warranted lifetimes for battery storage are increasing, the incentive to store low-cost solar energy and use this energy in peak periods is increasing, and that by 2025, battery installation may be financially viable for a number of households with solar PV installed. Given these developments and different rebates offered by the federal and state governments to encourage uptake of rooftop solar, battery storage and EVs it is expected that Australia will see high uptakes of battery storage in coming years.⁴⁴

Electric Vehicles present an opportunity to increase the utilisation of the electricity distribution network and, if the additional electricity used in EV charging can be managed, abate the expected increase in peak demand. With vehicle-to-grid technology, EVs can act like a “battery on wheels” and become a valuable generating resource if coordinated properly.⁴⁵

Every electricity distribution network today is faced with the challenge of how to facilitate, enable, integrate and optimise effective CER operation into their network at the least cost. To meet this challenge, network businesses have each developed a CER Integration Strategy, which typically seeks to:⁴⁶

- maintain distribution network reliability, quality of supply, and resilience
- support power system security, stability and optimisation
- provide fair and cost-effective distribution network access and CER enablement
- provide and utilise network capacity in an efficient, economic, coordinated and timely manner
- enable and facilitate competition and new services for energy market participants; and
- meet regulatory obligations.

⁴⁴ Jemena Regulatory Proposal, p. 37

⁴⁵ Jemena Regulatory Proposal 2026-31, p. 37

⁴⁶ Jemena Regulatory Proposal, Attachment 03-01, p. vii

Appendix 3 – Joint DB Engagement on Tariff Structures

Residential customers

There were three joint DB workshops on residential tariff structures which were attended by consumer advocates and other interested stakeholders. These were held on:

- 10 August 2023
- 16 November 2023
- 16 April 2024

A representative of CCP32 attended the third and final workshop in the series.

Workshop 1 discussed the then current pricing objectives of the Victorian DBs:



Simplicity. Network prices should be readily understood by customers, retailers and stakeholders.



Economic Efficiency. Customers face the correct price signals so that their consumption decisions reduce total network costs.



Adaptability. Network pricing design should be capable of being applied to future network configurations and technologies.



Affordability. Access to network services should be affordable, including for vulnerable customers.



Equity. Each customer should pay a fair share of network costs.

These were reduced to three objectives, which were discussed in workshop 2 and carried forward to the DBs' Tariff Structure Statements in their regulatory proposals:



Simple. Network tariffs should be simple and consistent, and readily understood by retailers, customers and stakeholders.



Efficient. Network tariffs should incentivise customer behaviours that make network costs more affordable and equitable in the long term.



Adaptable. Network tariffs should be capable of being evolved for future network configurations and emerging technologies, consistent with a Net Zero future.

The materials we have seen from workshop 1 refer to residential and small business tariffs. Workshop 2 does not refer to small business tariffs, and the focus of workshop 3 which we attended was specifically on residential tariffs.

The Victorian Government controls the Victorian Tariff Order which regulates network tariffs in the state. The DBs informed stakeholders at the workshops that the Victorian Government had established key policy positions that will pertain to the 2026-31 regulatory period. Specifically, residential customers on flat rate tariffs would remain on flat rate tariffs unless they opt to change, and that export charges would be permitted only on an opt-in basis.

Workshop participants collaborated on some tariff design choices e.g. whether solar soak should be offered during non-summer months, and proposed changes to TOU windows. However, they were limited to choices that the DBs said would be acceptable to the Victorian Government.

Customer advocates from several network consumer advisory groups engaged with the Victorian Energy Minister calling for a more ambitious transition away from single rate tariffs.

At the third workshop, an optional two-way CER tariff was introduced, based on discussions that the DBs had held with the Victorian Government. Limited options were offered and discussed, without a consensus being reached.

Some customer bill impact analysis was provided in the three joint DB workshops, but only for five archetypes of residential customers (e.g. homes with solar).

Small business customers (consuming no more than 40MWh per annum)

Following the holding of the three workshops referred to above, a joint DB consultation paper on Small Business Network Pricing was issued in June 2024. We were not involved in the development of the paper or in how the DBs ensured that small businesses received the consultation paper and were assisted in responding. The paper focused on network tariffs that apply to small business customers (consuming no more than 40MWh per annum), including pricing structures and tariff assignment rules. This paper aimed to provide information to stakeholders, including small business advocates, on these issues, and sought feedback on the questions raised in the paper. The paper stated that feedback received would be considered by the DBs in deciding the pricing structures for small business customers for the 2026-31 regulatory period.

The paper sought views on six questions:

1. Do you see value in changing the small business default ToU peak period from 9am-9pm to 8am-8pm to reflect the current small business peak load profile?
2. Should a solar soak period be introduced into the small business default ToU tariff, and if so, why?
3. Do you agree that small businesses should be able to remain on existing their single-rate tariff, or be able opt into a single-rate tariff?
4. Should we retain the small business opt-in demand tariff?
5. Should we introduce a small business CER tariff, and if so, what benefits will this tariff provide in meeting our pricing principles?
6. Do you agree or disagree that there is no reason to change the current tariff assignment rules? Please provide your reasoning.

We understand that only a few submissions were received, and we have not sighted any of the submissions. There are many possible reasons why only a few submissions were received.

We are though aware from the Jemena proposal:

In response to our joint consultation paper, several respondents suggested that distributors should consider solar soak periods for small and medium business customers.⁴⁷

The IAP2 Spectrum of Public Participation sets out five levels of participation: *Inform, Consult, Involve, Collaborate, Empower*.

⁴⁷ Jemena 2026-31 Electricity Distribution Price Review Regulatory Proposal, Attachment 09-02, Tariff Structure Statement – explanatory statement, section 7.4 Small and medium business customers – Customer engagement

Consult has the public participation goal “To obtain public feedback on analysis, alternatives and/or decisions.”

The consultation met this goal.

Inform has the promise: “We will keep you informed.”

Consult has the promise: “We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.”

The consultation paper did not promise to keep small businesses informed. Nor have we seen any evidence that the DBs kept those who made submissions informed during deliberations on small business tariffs in the lead up to the businesses’ draft plans and regulatory proposals.

Medium and large commercial and industrial customers (consuming more than 40MWh per annum)

We are not aware of any joint DB engagement with medium and large commercial and industrial customers (consuming more than 40MWh per annum).