Jemena Electricity Networks (Vic) Ltd

Statement of Compliance

Annual pricing proposal

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Jemena Statement of Compliance
2025-26 Annual Pricing Proposal

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1. Introduction

This statement of compliance as well as the standardised SCS and ACS pricing models form Jemena Electricity Networks (Vic) Ltd's (**JEN**) pricing proposal for 2025-26. This is an annual pricing proposal that has been submitted at least 3 months before the commencement of the regulatory year. Supporting attachments for this proposal are listed in Table 1–1 below.

Table 1–1: JEN 2025-26 pricing proposal submission document suite

Document	Title
Proposal	JEN - 2025-26 Pricing Proposal
Attachment 1	JEN - 2025-26 Network Tariff Schedule
Attachment 2	JEN - 2025-26 Annual SCS pricing model (public and confidential)
Attachment 3	JEN - 2025-26 Schedule of services - Alternative control and public lighting
Attachment 4	JEN - 2025-26 Annual ACS pricing model
Attachment 5	JEN - 2025-26 ACS public lighting model - AER final decision
Attachment 6	JEN - 2025-26 TUOS letter
Attachment 7	JEN - 2025-26 TUOS charges
Attachment 8	JEN - AEMO invoice for South Morang terminal station
Attachment 9	JEN - 2025-26 AusNet charges (indicative)
Attachment 10	JEN - 2025-26 Costs of service confirmation
Attachment 11	JEN - 2025-26 Statement of Compliance
Attachment 12	JEN - 2022-23 F factor fire factor start template
Attachment 13	JEN - 2024-25 ESV Levy invoice
Attachment 14	JEN - 2025-26 RoLR invoices
Attachment 15	JEN - 2023-24 License Fee
Attachment 16	JEN - 2025-26 Confidentiality template

2. Demand forecasts

JEN has provided quantity forecasts for standard control services in the 'Qty forecasts' sheet of the SCS pricing model.[1] Our 2025-26 demand forecasting methodology uses historical trends to project customer numbers and consumption growth, and is consistent with our forecasting approach for our 2024-25 pricing proposal submission and JEN's 2026-31 initial regulatory proposal submission.[2]

As a result, our forecast customer numbers and consumption volumes are broadly similar to our previous pricing proposal's forecast. Overall, customer numbers have been increasing steadily since the start of the current regulatory period, rising by around 1.5% per annum. Our total consumption per customer trend over this period has remained fairly stable.

However, we have updated our high-voltage (**HV**) large business tariff class forecasts with the latest information to account for a ramp-up in consumption from data centre customers. Further details are provided in the pricing proposal documents accompanying this statement of compliance.[3]

1 JEN, *2025-26 Annual SCS pricing model,* 31.03.2025.

2 JEN, *2026-31 initial regulatory proposal,* January 2025.

3 JEN, *2025-26 Pricing Proposal,* 31.03.2025.

3. Tariffs

3.1 Standard control services

The 'Tariff schedule' sheet of the SCS pricing model sets out the proposed 2025-26 prices for standard control services.

All tariffs remain in the same tariff class and retain the same charging parameters as the current tariff structure statement.[4] This is demonstrated in tariff schedule 3 of the SCS pricing model.[5]

Below is a summary of each charging parameter:

Charging parameter	Unit	Explanation
Standing charge	$/year	Applied to customer bills as a $/day charge.
Unit rate	c/kWh	Applies any time.
Peak unit rate	c/kWh	Residential peak 3 pm-9 pm (local time) every day. Small business peak 9 am-9 pm weekdays (local time) for A210, 7 am-11 pm weekdays (local time) for A230/A23N/A290, 7 am-11 pm Mon-Sun (local time) for A270.
Off-peak unit rate	c/kWh	Residential off-peak all other times except for A180 dedicated circuit (i.e. hot water) secondary tariff, 11 pm-7 am daily (AEST). Small business off-peak all other times.
Demand rate	$/kW/year	Residential maximum demand set 3 pm-9 pm (local time) work days and reset monthly. Small business maximum demand set 10 am-8 pm work days using the maximum level of the last 12 months where data is available for A20D, or at any time using the maximum level of the last 12 months where data is available for A230/A23N/A270.
Annual demand charge	$/kVA/year	Demand charge subject to minimum chargeable demand of 120 kVA (A300, A30C, A30E), 250 kVA (A320, A32C, A32E, A340, A34C, A34E, A34M), 450 kVA (A370, A37M), 1,000 kVA (A400, A40C, A40E, A40R, A40T), 10,000 kVA (A480, A48C), or 15,000 kVA (A500, A50C, A50A, A50T, A50E, A50X, A50M). Maximum demand for the demand charge set 8 am to 8 pm Monday to Friday (local time) using the maximum level of the last 12 months where data is available./

[4] JEN, *Tariff Structure Statement for 1 July 2021 to 30 June 2026*, pp. 13, 15-16.

[5] JEN, *2025-26 Annual SCS pricing model*, 'Tariff schedule', 31.03.2025.

SDIC	c/kVA/day	There is no minimum demand for SDIC. Maximum demand for the SDIC set 4 pm-7 pm workdays (local time) each month from December to March and reset monthly.

The expected weighted average revenue for each tariff class for the current and forecast years is demonstrated in output table 5 of the SCS pricing model.[6]

The expected weighted average revenue raised for each tariff class does not exceed the corresponding expected weighted average revenue for the preceding regulatory year by more than the permissible percentage. This permissible percentage is calculated in accordance with the AER's 2021-26 final determination.[7] This is demonstrated in compliance table 3 of the SCS pricing model.[8]

3.2 Alternative control services

The ACS pricing model sets out the proposed 2025-26 prices for alternative control services.

JEN will offer the same list of services for metering, public lighting, and ancillary network services as approved in the AER's final determination for alternative control services.[9] The list of services for metering, public lighting, and fee-based services is provided in the ACS pricing model. Quoted services are provided in line with the approved control mechanism formula[10] using the applicable labour rates in the ACS pricing model.

3.3 Tariff variations

We are not anticipating variations or adjustments to our tariff prices, tariff class or charging parameters within the 2025-26 period.

3.4 Sub-threshold tariffs

JEN is proposing to continue its sub-threshold tariffs for the 2025-26 regulatory year. These are:

- low-voltage community battery tariff trial: introduced in 2023-24
- site-specific subtransmission tariff trial: introduced in 2023-24.

JEN notified the AER of these sub-threshold tariffs no later than four months before the start of the regulatory year in which they commenced. These are available on the AER website.

Each sub-threshold tariff has a forecast revenue that is less than 1 per cent of total allowable revenue and all sub-threshold tariffs have a combined forecast revenue of less than 5 per cent of total allowable revenue. This is demonstrated in compliance table 4 of the SCS pricing model.[11]

6 JEN, *2024-25 Annual SCS pricing model*, 'Tables', 31.03.2025.

7 AER, *Final decision – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2021-26*, Attachment 14: Control mechanisms, pp. 31-32.

8 JEN, *2024-25 Annual SCS pricing model*, 'Compliance', 31.03.2025.

9 AER, *Final decision – Jemena Distribution Determination 2021 to 2026*, Attachment 16: Alternative control services, pp. 16, 27-28, 29, 31-32.

10 AER, *Final decision – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2021-26*, Attachment 14: Control mechanisms, p. 39.

11 JEN, *2025-26 Annual SCS pricing model*, 'Compliance', 31.03.2025.

4. Pricing principles

The revenue expected to be recovered from each tariff class lies on or between an upper bound representing the stand-alone cost of serving the retail customers who belong to that class and a lower bound representing the avoidable cost of not serving those retail customers. This is demonstrated in compliance table 5 of the SCS pricing model.[12] These bounds were calculated as part of our tariff structure statement (**TSS**) along with long-run marginal cost.

To estimate the avoidable costs for each of the tariff classes on our network, we undertook the following steps in our TSS and escalated these costs by inflation to arrive at the 2025-26 level:

- Determine for each of the categories of operating and capital expenditure the proportion of costs that are incurred directly by customers using our network - i.e., whether these costs would not be incurred if the tariff class were no longer supplied;
- Determine the underlying driver of these avoidable costs, i.e., whether these costs are driven by:
  - the energy served for each tariff class - e.g., the amount of maintenance expenditure that we incur is directly affected by customer consumption on the network and the assets required to serve this consumption; or
  - the number of customers in each tariff class - e.g., the cost required to operate our call centre is determined by the number of customers on the network, rather than the consumption on the network itself; then
- Allocate avoidable costs to each tariff class in the proportion of energy served or customer numbers, as relevant.

Similar to avoidable costs, the stand-alone costs were also estimated as part of our TSS and these have been escalated by CPI since then. To estimate the stand-alone costs for each tariff class in the TSS, we:

- Estimated those costs that we consider to be non-avoidable, i.e., those not included in the avoidable cost calculations;
- Determined the extent of these costs that would be required to serve each tariff class as a stand-alone network, e.g., subtransmission customers do not require the low voltage network; and
- Added these costs onto the avoidable costs for each tariff class to determine the total cost of serving each network on an individual basis.

The sum of the revenue expected to be recovered from each tariff allows JEN to recover the expected revenue for the relevant services in accordance with the determination. This is demonstrated in compliance table 1 of the SCS pricing model.[13]

The long-run marginal costs were estimated as part of our TSS and have been escalated by inflation to arrive at the 2025-26 level. Apart from escalating the stand-alone, avoidable and long-run marginal cost estimates by CPI, these estimates are unchanged from the previous pricing proposal.

[12] JEN, *2025-26 Annual SCS pricing model*, 'Compliance', 31.03.2025.

[13] JEN, *2025-26 Annual SCS pricing model*, 'Compliance', 31.03.2025.

5. Indicative prices

Revised indicative prices for standard control services are provided in input tables 29 and 30 of the SCS pricing model.[14] Revised indicative price caps for alternative control services are provided in the ACS pricing model.[15] These indicative price levels have been determined in accordance with the current tariff structure statement and updated to account for this pricing proposal. Furthermore, revised indicative prices for sub-threshold tariffs are provided in input table 32 of the SCS pricing model.[16]

The proposed tariff prices are materially different to the corresponding indicative prices and this is demonstrated in compliance tables 6 and 7 of the SCS pricing model. Brief notes have been written in column AC of the 'Price comp. ind.' sheet explaining the reasons for the difference. Furthermore, JEN's 2025-26 revenue is higher than initially expected due to a year-five cost of debt update and the Victorian Emergency Backstop Mechanism (**VEBM**) cost pass-through. Therefore, these elements were not considered at the time of forecasting indicative prices for 2025-26 while we prepared our 2024-25 model.

[14] JEN, *2025-26 Annual SCS pricing model*, 'Indicative prices', 31.03.2025.

[15] JEN, *2025-26 Annual ACS pricing model*, 'Ancillary Network Services', 'Labour rates', 'Public Lighting', 'Metering', 31.03.2025.

[16] JEN, *2025-26 Annual SCS pricing model*, 'Trial tariffs', 31.03.2025.

6. Tariff components

6.1 Distribution Use of System charges

Tariffs designed to pass on distribution use of system (**DUoS**) charges are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of distributed use of system charges adjusted for over or under-recovery. This is demonstrated in output table 6 of the SCS pricing model.[17] The over or under-recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms.[18]

Since 2023-24, JEN has been allowed to claim funds not paid to us as a result of Retailer of Last Resort (**RoLR**) events, in which a retailer stops being solvent. We calculate the amount of owed funds by obtaining the GST-exclusive totals from unpaid invoices[19] and network billing files.

Other adjustments to our DUoS charges include the fire factor,[20] which is calculated through an AER-provided model, the Essential Services Commission (**ESC**) licence fee, which is escalated by two years of nominal vanilla Weighted Average Cost of Capital (**WACC**), and the Service Target Performance Incentive Scheme (**STPIS**).

As specified in JEN's TSS[21], the Summer Demand Incentive Charge for Large Business customers has been escalated to 100% of the fully cost-reflective rate for the matching fully cost-reflective tariffs.

6.2 Designated Pricing Proposal Charges

Tariffs designed to pass on designated pricing proposal charges (**DPPC**) are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of designated pricing proposal charges adjusted for over or under-recovery. This is demonstrated in output table 6 of the SCS pricing model. The over or under-recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[22] and is compliant with the NER.

Our approach to the DPPC forecast is to pass through our AEMO and AusNet expenditure. We have received only indicative pricing from AusNet before our submission date. Embedded generation is estimated from historical actuals. Our forecast of cross-boundary revenue is kept relatively flat to our 2024-25 cross-boundary revenue estimate and netted out with cross-boundary expenditure in the 2025-26 annual SCS pricing model.[23] Our AEMO expenditure estimate varies slightly from the AEMO charges, which is the annual expenditure associated with the South Morang terminal station as verified through AEMO monthly invoices for South Morang.[24]

6.3 System strength charges

JEN is not planning to pass through system strength charges for system strength connection points for the 2025-26 period. If system strength charges arise, JEN will pass through these charges in accordance with NER clauses 6.20.3A(a). JEN will bill Distribution Network Users, identifying the relevant system strength connection points and providing other information required by the Distribution Network Users to verify the charges. The bills will be on a pass-through basis, and replicate as far as is reasonably possible the amount, structure and timing of the corresponding system strength charges billed to us by the relevant System Strength Service Provider (AEMO or AusNet).

17 JEN, *2025-26 Annual SCS pricing model*, 'Tables', 31.03.2025.

18 AER, *Final decision – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2021-26*, Attachment 14: Control mechanisms, pp. 23, 40-42.

19 JEN, *2025-26 RoLR invoices*, 31.03.2025.

20 JEN, *2022-23 factor fire start template*, 31.03.2025.

21 Jemena Electricity Networks (Vic) Ltd, *Tariff Structure Statement for 1 July 2021 to 30 June 2026*, pp. 15, 17.

22 AER, *Final decision – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2021-26*, Attachment 14: Control mechanisms, pp. 46-48.

23 JEN, *2025-26 Annual SCS pricing model*, 'Input|Financial', 31.03.2025.

24 JEN, *2025-26 AEMO invoice for South Morang terminal station*, 31.03.2025.

6.4 Jurisdictional scheme amounts

JEN's jurisdictional schemes have not been amended since the last jurisdictional scheme approval date. We note that the largest component of our jurisdictional scheme amounts, the Premium Feed-In Tariff (**PFIT**) scheme, ended during 2024-25. However, following the AER's decision on 19 July 2024,[25] we have removed the ESC licence fee amount from our B factor calculation and treated this amount as a jurisdictional scheme amount and we will continue to adopt this approach in future annual pricing proposals.

Tariffs designed to pass on jurisdictional scheme pass-through amounts (or refunds where applicable) are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of jurisdictional scheme amounts adjusted for over or under-recovery. This is demonstrated in output table 6 of the SCS pricing model.[26] The over or under-recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[27] and is compliant with the NER.

25 AER, *Jurisdictional scheme determination - Licence fees payable under the Electricity Industry Act 2000 (Vic),* July 2024.

26 JEN, *2025-26 Annual SCS pricing model*, 'Tables', 31.03.2025.

27 AER, *Final decision – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2021-26*, Attachment 14: Control mechanisms, pp. 49-51.

7. Compliance

7.1 Compliance with the determination

Our tariff assignment policy and the methodology by which we review and assess the basis on which a customer is charged are unchanged from the current TSS[28] and are compliant with the NER.[29] We confirm that we are complying with the current TSS where we have committed to making time-of-use (**ToU**) tariffs cheaper than single-rate tariffs. Our analysis highlights that for 2025-26, residential ToU and demand customer bills are expected to be discounted by 10.1% and 5.0%, respectively, compared with if they were on JEN's single rate tariff:

Tariff	Tariff name	Anytime (kWh)	Peak (kWh)	Off-peak (kWh)	Demand (kW)	2025-26 DUoS bill ($)	% discount to A100
A100	Residential single rate	4,388				$471	
A120	Residential time-of-use		1,466	2,922		$423	10.1%
A10D	Residential demand	4,388			3	$447	5.0%

We also confirm that we are complying with the current TSS where we have committed to increasing cost-reflectivity for large customers, improving cost-reflectivity by rebalancing the recovery of costs towards fixed charges, and rebalancing TUoS allocation across tariff categories to be more in line with DUoS allocation. There are no other material changes that should be brought to the attention of the AER.

7.2 Compliance table

Rule reference	Section reference
6.18.2(a)	Chapter 1 - Introduction
6.18.8(a)(3)	Chapter 2 - Demand forecasts
6.18.2(b)(2) 6.18.2(b)(3) 6.18.2(b)(4) 6.18.6 6.18.2(b)(5) 6.18.1C 11.141.8	Chapter 3 - Tariffs
6.18.5(e) 6.18.5(f) 6.18.5(g)(2)	Chapter 4 - Pricing principles
6.18.2(d) 6.18.2(e) 6.18.2(b)(7A)	Chapter 5 - Indicative prices
6.18.2(b)(6) 6.18.2(b)(6A) 6.18.2(b)(6B) 6.18.2(b)(6C) 6.18.7 and 6.18.7A	Chapter 6 - Tariff components

[28] JEN, *Tariff Structure Statement Attachment A: Tariff assignment and reassignment policy*, 3 December 2020.

[29] JEN, *Tariff Structure Statement For 1 July 2021 to 30 June 2026.*

6.18.3 6.18.4 6.18.2(b)(7) 6.18.2(b)(8)	Chapter 7 - Compliance

I, *Sandeep Kumar, Group Manager Regulatory Analysis, Pricing and Strategy*, confirm that the above statements are true and correct.

[signature]

2 May 2025

[date]