Draft decision

Jemena electricity distribution determination

1 July 2026 – 30 June 2031

Attachment 14 – Alternative control services

September 2025

AUSTRALIAN ENERGY REGULATOR

Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: aerinquiry@aer.gov.au
Tel: 1300 585 165

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14 Alternative control services

This attachment sets out our draft decision on prices Jemena is allowed to charge customers for the provision of the following alternative control services: ancillary network services (ANS) and public lighting services. Our draft decision on metering services, which are also alternative control services, is set out separately in Attachment 15.

Alternative control services are customer specific, or customer requested services and so the full cost of the service is attributed to a particular customer, or group of customers, benefiting from the service.

We set service specific prices to provide a reasonable opportunity to the DNSP to recover the efficient cost of each service from customers using that service. This is in contrast to standard control services where costs are spread across the general network customer base.

Note on our draft decision price lists

Unlike previous distribution determinations for Victoria, we have not included our draft decision price lists for ANS and public lighting services in this document. Rather, our draft decision price lists are within the ANS model and public lighting pricing models, respectively, that we published with this draft decision.

- AER – Att 11-04M ACS Fee based and quoted services model - PUBLIC - Draft Decision - Jemena distribution determination 2026-31 - September 2025
- AER – Att 11-05M ACS Public lighting model - PUBLIC- Draft Decision - Jemena distribution determination 2026-31 - September 2025

In this attachment, we point to these models, including cell references, when discussing our draft decision price lists.

We have made this change to avoid transcription errors that can occur when replicating prices from the model in the document. We have been conscious to make the presentation of the price lists in the models easily accessible for stakeholders. We are open to receiving feedback from stakeholders on the presentation of these price lists and any future improvements.

14.1 Ancillary network services

ANS are non-routine services provided to individual customers as requested. Our Framework & Approach (F&A) paper outlines several types of services that meet this broad definition.[1]

ANS are charged to customers on a user-pays approach which are charged on either a fee or quotation basis, depending on the nature of the service.

[1] See AER, *Final framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31, July 2024*, p.8. Our F&A paper outlines several types of services that can be considered as meeting this broad definition such as network ancillary services, basic connection services and non-routine metering services.

We determine price caps for fee-based services for the 2026–31 period as part of our determination, based on the cost inputs and the average time taken to perform each service. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty, such as disconnections and special meter reads.

By comparison, prices for quoted services are based on the quantities of labour and materials required, with the quantities dependent on a particular task. Prices for quoted services are determined at the time of a customer's enquiry and reflect the individual requirements of the customer's service request.

For this reason, it is not possible to list prices for quoted services in our decision. However, our draft decision sets the maximum labour rates to be applied to quoted services.

14.1.1 Draft decision

14.1.1.1 Fee-based and quoted services

Our draft decision does not accept Jemena's proposal as submitted. Based on our analysis and updated inputs, our draft decision is to:

- Accept Jemena's proposed fee-based and quoted services labour rates for the following labour categories as they are below our maximum benchmark labour rates:
  - Field Worker (business hours and after hours)
  - Technical Specialist (business hours).
- Not accept the following labour rates as they are above our maximum benchmark labour rates. As a result, we have substituted them with our benchmark labour rates:
  - Administrative Officer (business hours)
  - Engineer (business hours)
  - Senior Engineer (business hours).
- Not accept Jemena's proposal to include a 6% margin to its fee-based services as it is above our benchmarked rate taking into account the overhead allowance.
- Not accept Jemena's proposed prices for its field-based energisation and metering services as they do not benchmark well against other distributors. We replaced Jemena's proposed prices with our currently approved 2026–27 prices.
- Substitute Jemena's nominal vanilla weighted average cost of capital (WACC) to calculate its diminishing value tax recovery rate with our draft decision nominal vanilla WACC and correct its depreciation rate.
- Substitute Jemena's proposed price cap and year one (2026–27) prices for fee-based services with our draft decision price caps and prices for 2026–27 (see section 14.1.4.2 and our draft decision ANS model).[2]

[2] AER, *AER – Att 11-04M ACS Fee based and quoted services model - Public - Draft Decision - Jemena distribution determination 2026-31 - September 2025,* Table 3 in excel tab 'AER Draft Decision - Services'.

- Substitute Jemena's proposed X factors for years two to five with our draft decision X factors, based on our labour price growth forecasts (see our draft decision ANS model).[3]

Our draft decision ANS prices for 2026–31 and X factors are set out in the Draft Decision ACS Fee based and quoted services model. Our draft decision ANS prices for the 2026–31 period are, on average, -12.4% lower than Jemena's proposed prices.

As set out in Attachment 12, our draft decision is to maintain our final F&A position to apply price caps to ANS as the form of control.

Under a price cap form of control, we set a schedule of price caps for fee-based services and maximum labour rates for quoted services for the first year of the regulatory control period, 2026–27. For each year thereafter, we adjust the price caps and maximum labour rates for inflation, the X factor,[4] and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12.

As ANS have a high share of labour and labour-related inputs, we use labour price growth forecasts as the ANS X factor. Consistent with our previous decisions, we derived the X factor by averaging wage price index growth forecasts from Deloitte (provided by the AER) and BIS Oxford Economics (provided by the DNSP).[5] Our draft decision X factors for ANS are set out in our draft decision ANS model.[6]

14.1.2 Jemena's proposal

For the 2026–31 period, Jemena adopted our standardised ANS model to develop its fee-based and quoted services, with a few minor modifications. Jemena stated our standardised model could not meet all its requirements but kept the modifications to a minimum.[7]

Jemena proposed six labour categories (five business hours and one after hours) to reflect the different types of labour it uses in providing ANS (see Table 14.1 and Table 14.2).[8] This is consistent with its 2021–26 current service offering. To develop its labour rate, Jemena adopted Marsden Jacob's approach, which is consistent with our approach to developing our benchmark labour rate.[9] We note Jemena proposed an average 18.4% labour rate increase across its labour categories compared to its approved 2025–26 rates.

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3 AER, *AER – Att 11-04M ACS Fee based and quoted services model - Public - Draft Decision - Jemena distribution determination 2026-31 - September 2025*, Table 1 in excel tab 'AER Draft Decision - Labour'.

4 Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next.

5 For more detail on the reasons for this decision, see Attachment 3 – Operating expenditure.

6 AER, *AER – Att 11-04M ACS Fee based and quoted services model - Public - Draft Decision - Jemena distribution determination 2026-31 - September 2025*, Table 1 in excel tab 'AER Draft Decision - Labour'.

7 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, p. 1.

8 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, p. 5.

9 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, pp. 5-6.

For its quoted services, Jemena included a 6% margin applied to the total of labour, contractor services and materials.[10] This is consistent with our control mechanism formulae for quoted services as set out in the F&A paper.[11]

For its fee-based services, Jemena used a bottom-up approach to develop most of its prices, except for its reserve feeder maintenance and type 7 metrology services.[12] Jemena also proposed to introduce a 6% margin for fee-based services. Jemena stated including a margin is consistent with the principle of competitive neutrality and the revenue and pricing principles in the NEL.[13] Jemena also continued to apply a tax allowance based on a diminishing value method to its connection fee-based service.

In terms of price impacts for fee-based services, Jemena proposed an average price increase of 47.3% in the first year of the 2026–31 period compared to Jemena's current 2025–26 prices.

In its response to our information request, Jemena noted it would update its initial approach to determining its material costs. Specifically, that it would use a weighted average of underground and overhead service materials using actual data from 2023 and 2024.[14]

Stakeholder views

We did not receive any submissions in relation to Jemena's ANS proposals.

14.1.3 Assessment approach

The regulatory framework for assessing alternative control services is less prescriptive than for standard control services. That is, there is no requirement to apply the building block model exactly as prescribed in Part C of the National Electricity Rules (NER).

On this basis, our approach involves an assessment of the efficient costs of providing ANS. Labour costs are the major input in the cost build-up of prices for ANS. Therefore, our assessment largely focuses on comparing Jemena's proposed labour rates against maximum total labour rates, which we consider efficient.

Where Jemena's proposed labour rates exceed our maximum efficient labour rates, we apply our maximum efficient labour rates to determine prices. We follow this assessment process for services provided on a fee or quotation basis.

We also considered relevant stakeholder feedback raised throughout the consultation process and benchmarked Jemena's proposed ANS prices against its prices for the 2021–26 period and the prices of other DNSPs.

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10 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, p. 3.

11 AER, *Final framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31, July 2024, p.14.*

12 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, p. 1.

13 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, p. 2.

14 Jemena, response to information request *IR016 – ANS FBS cost drivers – 20250502*, received 14 May 2025.

Where necessary, we seek further information from Jemena to reconcile particular cost drivers and often benchmark these against other DNSPs.

We also make further adjustments to Jemena's ANS prices where we consider it appropriate to do so.

14.1.4 Reasons for draft decision

As stated above, we do not accept aspects of Jemena's proposal, namely a number of proposed labour rates, although we consider Jemena's proposal is largely reasonable.

Section 14.1.4.1 discusses the maximum labour rates we consider are appropriate for determining whether Jemena's proposed labour rates are efficient.

Section 14.1.4.2 sets out how we assessed Jemena's proposed fee-based prices and, where appropriate, adjusted them to derive our draft decision prices for 2026–27. This includes substituting our draft decision labour rates (among other draft decision factors), where necessary, following our considerations as set out in section 14.1.4.1.

14.1.4.1 Labour rates

For ANS we typically review the key inputs in determining the price for the service. We focus on labour rates as these are the principal input.

Consistent with the 2021–26 period, we continue to categorise Jemena's proposed labour rates into six different categories. This is on the basis that although DNSPs use different labour categories and descriptions, the types of labour used to deliver ANS broadly fall into the following categories: administration, technical specialists, field workers, engineers, and senior engineers. For Victoria, we also benchmark a sixth category: engineering manager.

This method is a continuation of Marsden Jacob's previous reports for the AER in relation to labour rates and ANS.[15]

In assessing the reasonableness of the proposed labour rates, we:

- derived salary ranges for our labour categories using Victorian salary data for various electricity distribution-related occupations from the most recent, publicly available Hays Salary Guide (Hays)[16]
- derived the raw hourly rate using the maximum salaries in each of the categories, dividing by number of weeks in a year and hours in a week
- escalated for on-costs (leave, superannuation, workers compensation, payroll tax)
- escalated for overheads – we continue to use a maximum overhead rate of 61%, based on Marsden Jacob's analysis. We note the profit margin allocation is already included within the overall overhead allowance

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15 Recent reports include *Marsden Jacob Report – Review of Alternative control services for SA Power Networks Energex and Ergon Energy,* June 2019; *Marsden Jacob Associates – Review of Victorian distributors Alternative Control Services,* June 2020.

16 Hays, *Hays Salary Guide FY25/26 Australia and New Zealand*, p. 41.

- escalated for assumed inflation, labour rate escalators (reflecting the wage price index) and an allowance to account for salary stickiness in the Hays data
- added an hourly vehicle cost, where required.

In aggregate, these elements are referred to as the 'maximum reasonable benchmark rate,' which is expressed as an hourly rate.

Compared to our 2021–26 period decision for Jemena, we have made the following changes to the way we derive our maximum reasonable benchmark rate. These reflect updated information that has become available over time and ensure consistency with the changes we have made in previous determination such as the NSW distribution businesses for the 2024–29 period. We explain some of these changes further below.

- Using a 38-hour week, rather than a 40-hour week, consistent with the latest Hays report.
- Excluding the 'Transmission line engineer' and 'Generator technician' occupations from our analysis.
- Uplifting the Engineer rate by 20% to obtain the Senior engineer rate.
- Using Hays 2022–23 data (instead of the most recent 2025–26 data) as the starting point for technical specialists and field worker labour categories.
- Using real inflation (CPI) and X factors to convert labour rates and the vehicle allowance to $2026–27.

Excluding occupations and the uplift for engineers

In considering labour rate benchmarks in the lead-up to NSW distribution business decisions for the 2024–29 period, we benchmarked the DNSPs' proposed labour rates with the most recent (at the time) labour rates derived from the Hays 2022–23 data. We found that, under our methodology, engineers and senior engineers would have the same hourly rate.

We applied several changes in deriving the raw labour rates. Upon consultation with our internal technical experts, we removed the roles of 'Transmission line engineer' (categorised as engineer) and 'Generator technician' (technical specialist) from their respective benchmarks as they are not typically employed by DNSPs.

Further, we considered it was not appropriate to assign occupations to the senior engineer category because senior engineer salaries reflect time in role, not particular occupations. Instead, we applied a 20% uplift from engineer salaries as a reasonable premium for time in role.

We continue to apply the above approaches for the 2026–31 decisions.

Changes to Hays Salary Guide

In July 2025, Hays released its 2025–26 salary data. Like the Hays 2023–24 and Hays 2024–25 guides, there were some significant changes in its reporting when compared to the Hays 2022–23 Guide, with the report no longer including wage data for the technical specialist and field worker roles. To derive our benchmarks for these labour categories, we instead use the latest data that we have, which is the Hays 2022–23 data, as our starting point.

For the administration and engineer labour categories, we used the Hays 2025–26 data as the relevant rates are still available.

In addition, we note that the Hays 2025–26 data is based on a 38-hour week.[17] We have therefore derived our maximum reasonable benchmark rates using a 38-hour week as we consider the Hays data captures the conditions of the broad labour pool from which Jemena draws its labour.

Determining labour rates in $2026–27

Finally, we applied real inflation as appropriate and X factors to convert the 2022–23 and 2025–26 labour rates (respectively, depending on which was applicable) to $2026–27. To convert $2022–23 nominal rates into $2026–27 nominal terms (where relevant), we used actual CPI consistent with the method applied during annual pricing proposals and consistent with our draft decision on control mechanisms.[18] To convert $2025–26 nominal rates into $2026–27 nominal terms, we applied forecast CPI from the Reserve Bank of Australia as a placeholder for this draft decision. We will apply actual CPI consistent with our control mechanism for our final decision.

We also used this approach to escalate the $20 per hour vehicle allowance from our previous decisions for inflation only (i.e. no X factor) to $25.17.[19]

To obtain the benchmark after hour rates (in Table 14.2), we continue to apply 1.75 times the business hourly rate (in Table 14.1), as recommended by Marsden Jacob.

Using this method, Table 14.1 includes our maximum benchmark hourly labour rate for the six labour benchmark categories and Jemena's proposed prices for business hours. Table 14.2 contains the same information for after hours.

Table 14.1 AER maximum benchmark and Jemena's proposed hourly labour rates for 2026–27 (business hours, including on-costs and overheads, $2026–27)

Jemena labour category	AER Benchmark category	Jemena proposed labour rate	AER maximum labour rate
Administrative Officer	Admin	121.40	120.34
Field Worker	Field Worker	210.89	222.05
Technical Specialist	Technical Specialist	225.06	236.86
Engineer	Engineer	271.83	253.35

17 Hays, *Hays Salary Guide FY25/26 Australia and New Zealand*, p. 41.

18 AER, *Draft decision – Jemena distribution determination 2026–31 - Attachment 14 - Control mechanisms,* September 2025.

19 See for example AER, *Draft decision - Ausgrid distribution determination 2024-29 - Attachment 16 - Alternative control services,* September 2023, p. 10; Marsden Jacob Associates, *Review of Victorian distributors Alternative Control Services,* June 2020, p. 24.

Jemena labour category	AER Benchmark category	Jemena proposed labour rate	AER maximum labour rate
Senior Engineer	Senior Engineer	326.19	304.02

Table 14.2 AER maximum benchmark and Jemena's proposed hourly labour rates for 2026–27 (after hours, including on-costs and overheads, $2026–27)

Jemena labour category	AER Benchmark category	Jemena proposed labour rate	AER maximum labour rate
Field Worker	Field Worker	370.53	388.59

Outcomes of our benchmarking

As a result of our benchmarking, we do not accept Jemena's proposed labour rates for the following labour categories (as they are higher than our benchmark) and have substituted them with our maximum labour rates:

- Administrative Officer (business hours)
- Engineer (business hours)
- Senior Engineer (business hours).

Our draft decision ANS model sets out our draft decision on the labour rates Jemena can utilise in the provision of quoted services.[20]

14.1.4.2 Fee-based services

Our draft decision is to not accept Jemena's proposed prices for fee-based services. We adjusted the following inputs in the calculation of Jemena's prices for fee-based services:

- Updated the labour inputs to reflect the most recent inflation and labour escalators
- Removed the proposed margin allowance for fee-based services
- Revised the cost inputs for its tax allowance
- Updated the material costs for connection fee-based services
- Assumptions for its field-based energisation and metering services.

These adjustments reduce Jemena's proposed prices by an average of 19.5% across all fee-based services compared to its initial proposal.[21]

In addition to our labour rates analysis, we benchmarked Jemena's fee-based services by comparing its prices and assumptions for its most commonly requested services with other DNSP's proposals, as well as comparing the proposed prices against those we approved for the 2021–26 period.

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20 AER, *AER – Att 11-04M ACS Fee based and quoted services model - Public - Draft Decision - Jemena distribution determination 2026-31 - September 2025*, Table 1 in excel tab 'AER Draft Decision - Labour'.

21 This average is unweighted and does not consider the quantity of services performed.

We observed large increases in price when we compared Jemena's proposed 2026–27 fee-based service prices with its currently approved 2025–26 prices (which are based on the prices we set in our previous decision) for Jemena's connection, field-based energisation and metering services. We discuss our draft decision for each of these services below.

Jemena's proposed margin allowance for fee-based services

We do not accept Jemena's proposed margin of 6% for fee-based services because we consider a margin is already accounted in the total overhead allowance.

Jemena stated in its initial proposal that the inclusion of a margin is consistent with the principle of competitive neutrality and the revenue and pricing principles in the NEL.[22]

For fee-based services, our benchmark approach allows for a maximum overhead rate of 61% which is inclusive of a profit margin. This benchmark was based on Marsden Jacob's review of efficient costs for ANS as used in our previous decisions for the Victorian distribution determinations.[23]

Marsden Jacob considered that where a proposal includes an explicit profit margin, then the total of the profit margin and overhead allowance should be benchmarked against the maximum overhead rate 61%.[24] We note the sum of Jemena's proposed margin of 6% and overhead allowance of 61% is 67%, which is above the 61% benchmark.

Our main consideration in this decision is the efficiency of Jemena's costs. We consider the 61% overhead rate as our benchmark for efficiency. This has been used in previous decisions, and we consider that it is still appropriate and fit for purpose in this decision. We discussed the merits of using this overhead rate in our previous 2019–24 draft decisions for non-Victorian networks, which we also applied for our 2021–26 Victorian decisions.[25]

As such, our draft decision is to not accept Jemena's proposed margin but apply the maximum overhead rate of 61%. We consider this maximum overhead rate will enable Jemena to recover at least its efficient costs in providing fee-based services.

Jemena's tax allowance

We accept Jemena's proposed reasoning and calculation to include a diminishing value tax recovery rate for services that are capital in nature. This is also consistent with our previous decisions on Jemena's tax recovery rate.[26]

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22 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, p. 2.

23 See, for example, Marsden Jacob Associates, *Review of Victorian distributors Alternative Control Services, June 2020,* p. 9.

24 See, for example Marsden Jacob Associates, *Review of Victorian distributors Alternative Control Services, June 2020,* pp. 8-9.

25 See AER, *Essential Energy 2019-24 - Draft decision - Attachment 15 - Alternative control services - November 2018*, p. 15 and AER, *Jemena 2021-26- Draft decision - Attachment 15 - Alternative control services - September 2020*, p.10.

26 See AER, Final decision, *Jemena distribution determination 2016 to 2020 – Attachment 16 – Alternative control services, May 2016*, pp. 14-15. We also approved Jemena's tax recovery rate calculation in the current 2021–26 period.

Jemena stated that as basic connections services (new connections, replacements and upgrades) are classified as alternative control services, it does not incur a tax allowance from a regulatory point of view. However, given the nature of connection assets, Jemena must capitalise these costs for tax and accounting purposes, and therefore will incur a tax liability for the service on revenue less depreciation.[27]

We consider Jemena has sufficiently demonstrated that basic connection services will incur a tax liability. However, we will update Jemena's nominal vanilla WACC for its calculation for its tax recovery rate to reflect our draft decision, as discussed in section 2.2 of the Overview. We also corrected Jemena's depreciation rate to 13.3% (see cell 'Input|Tax Recovery'G11), as per the formula for the diminishing value method under section 40-72 of the Income Tax Assessment Act 1997.

Connection fee-based services

We accept Jemena's proposed prices for its connection services, as they benchmark relatively well against other Victorian DNSPs and DNSPs in other jurisdictions. We also consider Jemena has provided sufficient evidence to justify its material costs for connection services.

Our analysis shows that Jemena's proposed prices for connection services are, on average, 34.9% higher compared to its approved 2025–26 prices (nominal). We observe the main cost drivers for these proposed price increases are:

- increased labour costs (see section 14.1.4.1)
- increased material costs.

In response to our information request, Jemena proposed to adjust its material costs to use a weighted average approach to better reflect material costs incurred between underground and overhead services.[28, 29]

We observe that the prices for Jemena's connection services when they are adjusted to reflect the weighted average material costs benchmark relatively well against other Victorian DNSPs and other DNSPs. The example below of the cost comparison for Jemena's temporary connection, single phase service (BTSO) (business hours) against the other DNSPs is shown in Table 14.3. This example is representative of connection services more generally.

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27 Jemena, *JEN - Att 11-01 Alternative control services - 20250131- Public*, January 2025, pp. 15-16.

28 In previous resets and in its initial proposal for 2026–31, Jemena's material costs were based on an average of underground and overhead material costs (i.e. total material costs divided by 2).

29 Jemena, response to information request *IR016 – ANS FBS cost drivers – 20250502*, received 14 May 2025.

Table 14.3 Price comparison of Jemena's proposed BTSO – Temporary connection, single phase (business hours) against other DNSPs ($2026–27)

DNSP	Service	Price ($2026–27)
Jemena	Basic connection, single-phase BH	$739.28
AusNet	Establish temporary supply connection - business hours	$739.23
Evoenergy	Temporary de-energisation – LV (Business Hours)	$988.71
SA Power Networks	Single phase - where DNSP is metering coordinator	$628.29

Jemena also stated it selected its material suppliers using an open tender process. It selected its suppliers based on the suppliers' ability to meet contract requirements, competitive prices offered, and technical conformance. Jemena also evaluated potential suppliers on its technical and commercial factors. Jemena stated that throughout the tender process, it adhered to its 'Procurement and Contract Management Procedure' governance approval framework. Jemena also considered it prudent to not limit its contract to one supplier to ensure a more resilient supply chain.

For the draft decision we have incorporated the weighted average material cost approach Jemena proposed in determining its price caps, and prices, for its connection fee-based services.

Field based energisation and metering fee-based services

We do not accept Jemena's proposed prices for its field-based energisation and metering services. We consider Jemena's proposed prices do not benchmark well, both with its previous prices for these services and similar services offered by other DNSPs.

For our draft decision, as a placeholder, we set the price of the following services to the current approved $2026–27 prices (as per our 2025–26 annual pricing model for Jemena):

- Field-based energisation
- Field-based de-energisation
- Field-based special meter reads
- Meter test of types 5, 6 and AMI smart metering installations.

Our analysis also shows that Jemena's proposed prices for field-based energisation and metering services are, on average, 155.8% higher compared to its approved 2025–26 prices (nominal). We observe the main cost drivers for these proposed price increases are:

- increased labour costs (see section 14.1.4.1)
- replacing contractors with internal staff to perform these services.

In response to our information request, Jemena stated that under its 'internal staff approach', it accounts for the following costs:

- Field workers' labour – to account for travel time and time taken to perform task
- Non-field based labour
- Average vehicle costs – use of an Elevated Work Platform (EWP) to complete the tasks.

Jemena also noted that in our Issues paper for the 2026–31 Victorian Determination our preliminary benchmark labour rates were mostly below Jemena's proposed labour rates.[30] Jemena also stated that while benchmarking prices is a useful tool to assess the efficiency of costs, there will be instances where direct comparison may not be possible if the extent of the variance is large. Jemena considered there is likely something fundamental at play, and a simple side-to-side comparison is unlikely to determine any inefficiencies. It did not provide any further information to explain these differences.

Our benchmarking indicates Jemena's prices for its field-based energisation and metering fee-based services are significantly higher than similar services offered by other DNSPs. For example, we compared Jemena's special meter read service (SPRD) (business hours) against the other DNSPs in Table 14.4. As can be seen, Jemena's price is materially higher than that of all other DNSPs. We have also compared other fee-based metering services and the example in Table 14.4 is representative of Jemena's higher metering service prices compared to other DNSPs.

Table 14.4 Price comparison of Jemena's proposed SPRD – Field-based special meter read (business hours) against other DNSPs ($2026–27)

DNSP	Field worker or contractor	Field worker total time on task (including travel time)	2026–27 price
Jemena	Field worker x 2	35 minutes	$199.83
Powercor	Contractor	N/A	$60.26
Ausgrid	Field worker x 1	5 minutes	$15.54
Endeavour	Field worker x 1	15 minutes	$59.98
Evoenergy	Contractor	N/A	$47.00
TasNetworks	Field worker x 1	18 minutes	$61.30
Power and Water Corporation	Contractor	N/A	$66.41

For field-based energisation services, we compared Jemena's field-based de-energisation service (DEEN) (business hours) against the other DNSPs as Table 14.5. Again, Jemena's prices are materially higher. We have also compared other fee-based energisation service prices and the example in Table 14.5 is representative of Jemena's higher field-based energisation services prices compared to other DNSPs.

[30] Jemena, response to information request *IR016 – ANS FBS cost drivers – 20250502*, received 14 May 2025.

Table 14.5 Price comparison of Jemena's proposed DEEN – Field-based de-energisation (business hours) against other DNSPs ($2026–27)

DNSP	Field worker or contractor	Field worker total time on task (including travel time)	$2026–27 price
Jemena	Field worker x 2	35 minutes	$175.24
Powercor	Technical x 1	Up to 1 hour	$72.96
United Energy	Technical x 1	Up to 45 minutes	$64.31
Endeavour	Field worker x 1	25 minutes	$118.94
Energex	Field worker x 1	46 minutes	$139.89

We agree with Jemena that a side-to-side comparison of similar services offered between DNSPs may not always indicate cost inefficiencies, as it may not perfectly account for differentiating factors between those DNSPs. However, given the extent of the price variance, we consider Jemena should demonstrate why its proposed higher prices are efficient and provide value for money for its customers.

We understand that Jemena developed its metering and field-based energisation service prices based on actual costs. While Jemena stated it deployed field workers based on its actual costs, it did not clearly explain exactly why it switched from contractors to internal staff (as per its current 2021–26 period approach). We also note that Jemena proposed to deploy two field workers for most of its fee-based services, as per its Enterprise Bargaining Agreement. However, we do not consider Jemena has sufficiently demonstrated that the change in resource mix is more efficient, and that the new proposed price represents value to its customers.

For the draft decision we have set these prices based on Jemena's 2025–26 annual pricing model as a placeholder. In its revised proposal, Jemena should provide further information to substantiate its higher prices and why they are efficient.

14.2 Public Lighting

Public lighting services include the provision, construction and maintenance of public lighting assets. This definition includes new technologies such as energy-efficient light emitting diode (LED) luminaires and emerging public lighting technologies such as smart-enabled luminaires.[31]

The main customers of public lighting services are local government councils and jurisdictional main roads departments.

[31] AER, *Final framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31, July 2024,* p. 36.

There are a number of different tariff classes and prices for public lighting services. Factors influencing prices for a particular installation include which party is responsible for capital provision, and which party is responsible for maintaining and/or replacing installations.

14.2.1 Draft decision

Our draft decision is to not accept Jemena's public lighting proposal as submitted. While we consider some of the key drivers behind Jemena' public lighting proposal are reasonable, we also consider that there are other areas of its proposal and inputs where adjustments are appropriate. For our draft decision, we:

- Reduced the volume of smart lighting cells installed from 75,505 to 33,454 as a placeholder to reflect feedback we received from the Victorian Greenhouse Alliances (VGA) prior to Jemena further consulting on volume of smart lighting cells with councils.
- Do not accept Jemena's proposed volumes for its council funded LED lights. We consider Jemena needs to further engage with its stakeholders to accurately reflect customers' interest in funding the 'accelerated LED rollout'.
- Accept Jemena's proposed labour rate as it is below our benchmark labour rate for ANS but have adjusted it to incorporate our draft decisions on inflation and labour escalators.
- Do not accept Jemena's proposed pole inspection rate of 30 inspections per day. We have updated the pole inspection rate to of 68 inspections per day as a placeholder and seek further information from Jemena to justify its pole inspection rate.
- Do not accept Jemena's proposed PE cell replacement. We updated the PE cell replacement cycle for LED lights to 10 years as a placeholder subject to further consideration by Jemena, including in light of the Essential Service Commission Victoria's (ESCV's) recently released consultation paper on the Public Lighting Code of Practice Review.[32]

We also updated Jemena's public lighting prices to account for several more mechanical changes. These included applying our draft decision on the weighted average cost of capital (WACC), consumer price index (CPI) and labour escalators. We also updated the 2025–26 prices (that prices in the next period are escalated from) to include those we approved following Jemena submitting its initial proposal. We entered these substitute inputs into the public lighting models, resulting in minor adjustments to Jemena's public lighting prices.

We encourage Jemena to continue consulting on specific matters such as the smart lighting rollout and funding options for the 'accelerated LED rollout'. Further, to consider the proposed positions taken in the ESCV's consultation paper on the Public Lighting Code. We expect it will incorporate the outcomes of this consultation, and further considerations, including reasons for the proposed positions, in its revised public lighting proposal.

As set out in Attachment 14, our draft decision is to maintain our final F&A position to apply price caps to public lighting as the form of control.

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[32] Essential Services Commission Victoria, *Public Lighting Code of Practice Review, Consultation Paper*, 20 August 2025.

Under a price cap form of control, we set a schedule of price caps for public lighting services for the first year of the regulatory control period, 2026–27. For each year thereafter, we adjust the price caps for inflation, the X factor,[33] and any relevant adjustments. This mechanism is set out in greater detail in section 14.5.2 of Attachment 14.

Our draft decision public lighting prices for 2026–31, including the X factors, are set out in the Draft Decision Public Lighting model.[34] The X factors are used to adjust prices annually for years 2 to 5 of the 2026–31 period. For years 2 and 5 we set Jemena's X factor to 0. Our draft decision public lighting prices for the first year of the 2026–31 period are, on average, 8.6% lower than Jemena's proposed prices.

14.2.2 Jemena's proposal

In developing its public lighting proposal, Jemena stated it engaged with its stakeholders in multiple ways, including council forums and workshops, and individual meetings with specific councils to understand councils' recommendations.[35]

Jemena stated it received the following feedback from stakeholders from its engagement sessions and subsequent meetings with councils:[36]

- Councils agreed with Jemena's proposed bulk LED installations.
- Councils agreed they should be given the option to include smart lighting with the LED bulk upgrade.
- Councils requested the option for them to fund or co-fund the accelerated LED rollout.
- Most councils agreed Jemena should offer 3000K versions of each light.

Based on customer feedback, Jemena proposed to convert all its lights to LED lights by 2031, the end of the next regulatory period. Jemena also stated it needed to replace mercury-based lights by the end of 2025 to comply with the obligations set out in the Minamata Convention. Additionally, Jemena proposed to replace metal halide and T5 luminaires with LED lights, as they are failing at higher-than-normal rates, resulting in higher total life cycle costs.[37] Jemena also accepted stakeholders' recommendation to use 3000k lighting as the standard offering in the 2026–31 period.[38]

In its proposal Jemena stated it considered it is more prudent to replace its existing lights with LED lights under its normal maintenance cycle to reduce costs. As a result, Jemena also proposed that customers fund the 'accelerated LED rollout' program and subsequently are charged a lower ongoing cost. Jemena developed a pricing model which reflects this approach (see below).[39]

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33 Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next.

34 AER, *AER – Att 11-05M ACS Public lighting model - PUBLIC- Draft Decision - Jemena distribution determination 2026-31 - September 2025,* excel tab 'AER Draft Decision'

35 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, pp. 1-2.

36 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.2.

37 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, pp. 8-9, 11.

38 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.13.

39 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.13.

In relation to smart lighting, Jemena proposed to implement Street Light Vision (SLV), a smart lighting solution. SLV includes a cloud hosted smart lighting CMS which is connected to smart controls directly fitted to streetlight luminaires.[40] It stated SLV allows councils to remotely dim or brighten its public lights based on traffic flow, time of day and weather conditions. This reduces energy consumption without compromising safety or visibility. The CMS also allows councils to control their lights either in real time or at scheduled times. The SLV CMS also allows Jemena to monitor street light status in real time, improving response times to public lighting faults.[41]

Jemena proposed to install the smart lighting hardware when it replaces its public lights with LEDs.[42] The costs incurred for implementing the smart lighting services are included in its public lighting prices for LEDs.[43]

Jemena also proposed to use our post tax revenue model (PTRM) to set its prices for its public lighting services.[44] This new approach allows Jemena to transfer the written down value of legacy lights to the Regulatory Asset Base (RAB) for LED lights.[45] This model also includes separate RABs to reflect the different prices charged for customer-funded LED lights and Jemena funded LED lights.

Jemena proposed the following price movements for its public lighting services compared to its approved 2025–26 prices:[46]

- 1.3% increase for legacy lights
- 43% increase for energy efficient lights (LEDs)
- 10.1% decrease for self-funded LED lights.

Jemena stated the major cost drivers behind the price increases for energy efficient lights are:[47]

- Acceleration of replacement capital expenditure (capex) due to the replacement of all legacy lights with LED lights, when attending site, by the end of 2031
- The higher cost per luminaire and installation of smart cell devices (as a result of there being a smart lighting CMS).

Jemena noted in its initial proposal that it will continue to engage with stakeholders throughout 2025 to further refine its public lighting service offering and prices to be included in its revised proposal.

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40 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.9.
41 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.10.
42 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.9.
43 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.9.
44 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.15.
45 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.16.
46 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.27.
47 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.27.

14.2.3 Assessment approach

To determine efficient prices for Jemena's public lighting services we assessed its public lighting models, considered historical data and benchmarked proposed costs and prices against other DNSPs, and against independent data and information as relevant. Specifically, we assessed proposed labour price growth rates, luminaire prices, other input assumptions and stakeholder submissions to derive public lighting prices for this draft decision.

We also engaged Jemena through information requests to clarify and potentially resolve outstanding issues.

We updated model parameters where appropriate after taking the factors described above into consideration.

14.2.4 Reasons for draft decision

14.2.4.1 Overall assessment

Overall, we consider Jemena's public lighting proposal is largely reasonable, however, our draft decision is to not accept the proposal as submitted. This is because, as set out below, we have made a number of adjustments where we consider specific inputs are not reasonable or require updating.

In summary, our draft decision makes the following adjustments to Jemena's public lighting model for LED lights:

- reduce the volume of smart lighting cells installed from 75,505 to 33,454 in light of feedback from the VGA
- replace Jemena's proposed pole inspection rate of 30 inspections per day and with a placeholder of 68 inspections per day
- update the PE cell replacement cycle for LED lights to 10 years as a placeholder.

We also amended Jemena's proposed public lighting prices to be consistent with other aspects of our draft decision, namely on the WACC, CPI and labour escalators (see section 14.2.4.10).

Making the above adjustments reduces Jemena's proposed LED price increase to 23.2% in 2026–27 (as compared its proposed 43.2% increase). Jemena's proposed council funded LED prices will also decrease by 23.5% in 2026–27 (as compared to its proposed 10% reduction).

In addition, as set out in section 14.2.4.5, we note the omission of bracket costs in Jemena's initial proposal and consider that this should be addressed in its revised proposal, including following stakeholder engagement. We also have concerns with Jemena's proposed volumes for its council funded LED rollouts, as set out in section 14.2.4.6. For the draft decision we have left these volumes as proposed in Jemena's public lighting models but require Jemena to further consult with its customers on these volumes.

More broadly we also consider Jemena needs to further consult with its stakeholders on other key issues such as the volume of its smart lighting services and council's involvement

and the extent it pays for the accelerated LED rollout. This consultation should also inform its revised proposal.

14.2.4.2 Jemena's stakeholder consultation

We consider Jemena's stakeholder engagement in relation to public lighting has largely been reasonable. Further, Jemena has indicated that it will continue to engage with stakeholders (including the VGA) to further refine its position for the revised proposal.

In its initial proposal Jemena set out its engagement with its public lighting customers. This occurred over the period August 2023 to November 2024 and included a variety of mechanisms including council forums, workshops, consultation on its draft plan and a public lighting consultation paper.[48] It considered this engagement had helped it to understand its customers' expectations and capture them in its initial proposal. It noted that this was particularly the case in relation to its proposals around an accelerated LED rollout during the next period, an option for councils to fund / co-fund this rollout, and for the introduction of smart lighting services.

In meeting we had with the VGA, it also stated that it had worked closely with Jemena in developing its public lighting proposal, including the pricing model, adopting our PTRM and the development of the separate RAB for council-funded public lighting assets.

As we discuss below in sections 14.2.4.3 to 14.2.4.9, we consider there are some aspects in Jemena's proposal that require further consultation with its stakeholders, such as Jemena's proposed accelerated LED rollout. We discuss each topic below.

14.2.4.3 Benchmarking of LED capital expenditure

We consider Jemena's proposed capex for its LED lights is reasonable despite the significant proposed increase and have used it in our draft decision. This is because we consider Jemena provided sufficient evidence to justify these costs. Additionally, our benchmarking of Jemena's LED unit capex costs against other Victorian DNSPs suggests Jemena's proposed costs are efficient.

One of the key drivers behind Jemena's proposed LED price increases is the increased capex to replace its legacy lights reaching their end of life with LEDs lights.

Jemena currently has a higher proportion of legacy lights against other Victorian DNSPs (as can be seen in Figure 14.1). Jemena estimated that it will have only rolled out 32% of its lights with LEDs at the beginning the 2026–31 period.[49] In comparison, the other Victorian DNSPs expect to have replaced 64% to 86% of their total lights with LEDs at the beginning of the 2026–31 period.[50]

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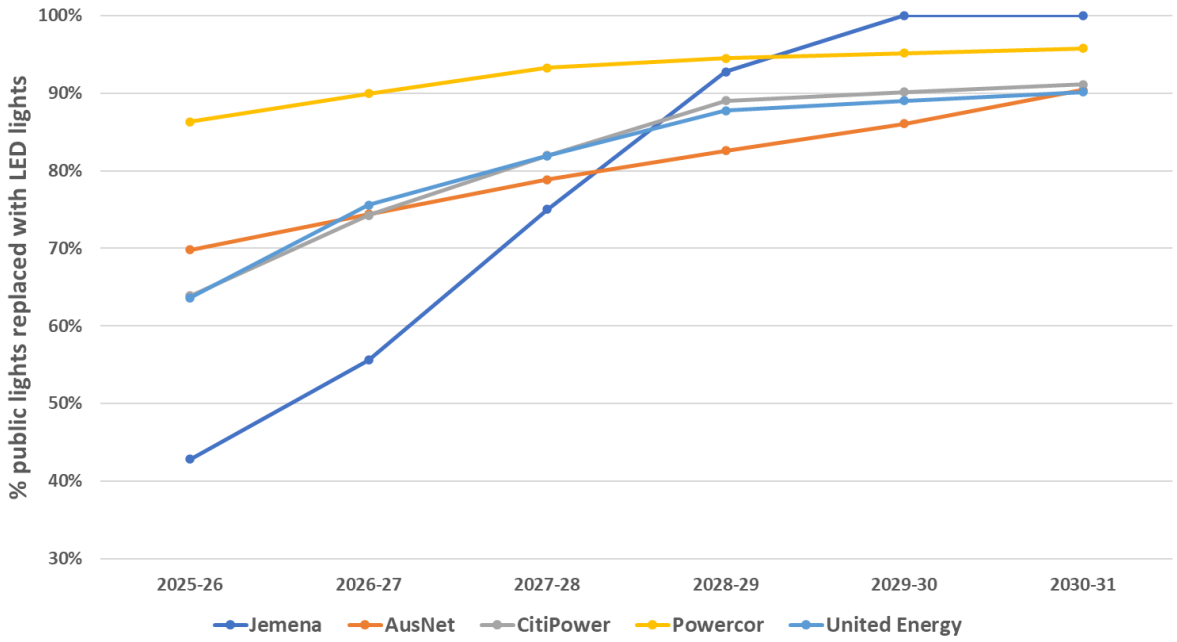
48 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, pp. 1-4.

49 Jemena, *JEN – Att 11-06M ACS Public lighting inputs model – 20250131 - Public*

50 See public lighting models for other Victorian DNSPs (i.e AusNet, *ASD – AusNet EDPR 2026-31 - ACS - Public Lighting Model – 310125 – PUBLIC* and CitiPower, *CP MOD 11.06 - Public lighting cost model - Jan2025 – Public)*

Additionally, only Jemena proposed to replace all its lights with LED lights by the end of 2031 via its accelerated LED rollout. The other Victorian DNSPs proposed to replace approximately 90% of their total lights with LEDs.

Figure 14.1 Proposed % of public lights replaced with LEDs during the 2026–31 period for each Victorian DNSP



We assessed Jemena's underlying assumptions behind its proposed LED capex costs, including its procurement/tender process and its LED capex costs per luminaire.

In an information request response, Jemena stated the cost of its LED materials and installations are based on its cost from its service contractors. These were determined following an open tender process in which Jemena assessed potential suppliers on criteria set out in its 'Procurement and Contract Management Procedure' governance framework. Jemena selected its suppliers based on their ability to meet contract requirements, price competitiveness and technical conformance. Jemena also stated it preferred to diversify the number of suppliers to ensure a more resilient supply chain, competitive costs and supports better procurement governance. Jemena also provided us its latest procurement cost review, which reconciles to the costs proposed in its public lighting model.[51]

Our high-level benchmarking also indicates that Jemena proposed the lowest LED unit capex cost (luminaire and installation cost) compared to the other Victorian DNSPs, at approximately $400 per LED light. Table 14.6 shows the comparison of Jemena's unit LED capex cost against the other Victorian DNSPs. We note that this benchmarking and the unit costs may in part be driven by volume of LED lights proposed to be installed over the 2026–31 period, particularly as this may impact the unit costs of the luminaire. Additionally,

51 Jemena, response to information request *IR018 - Public Lighting models – 20250507*, received 25 May 2025.

Jemena's LED unit capex cost does not include the omitted bracket material costs (see section 14.2.4.5).

Table 14.6 Summary of LED unit capex costs (luminaire and installation) for each Victorian DNSP for the proposed 2026–31 period ($2026–27)

	Jemena	AusNet	CitiPower	Powercor	United Energy
Total DNSP LED capex	$12,239,922	$18,078,954	$7,023,026	$20,242,572	$20,817,318
Number of LED lights installed (DNSP funded)	30,613	23,359	14,922	39,516	38,814
Unit LED capex (luminaire)	$399.83	$773.98	$470.65	$514.79	$536.34

Source: LED capital expenditure and volume of LED light installations were obtained from the DNSPs' respective public lighting model.

14.2.4.4 Smart lighting services

We consider Jemena's proposed cost inputs for smart lighting services to be largely reasonable. However, for the draft decision we have reduced the volume of smart cells to be deployed from 75,505 to 33,454 cells. This is as recommended by the VGA in its submission and is a placeholder prior to further engagement.[52] Jemena has indicated it is willing to further engage with stakeholders on this basis.[53]

A key cost driver behind Jemena's proposed LED price increases is the installation of smart cells and implementing a CMS. Over the 2026–31 period, Jemena proposed an additional $11.3m and $1.2m in capex and opex respectively for its smart lighting services. Our analysis shows that without the smart cell and CMS upgrades, Jemena's LED prices will increase by 17% from its current 2025–26 current prices, as compared to the proposed 43.2%.

In an information request response, Jemena stated its prices for its smart lighting services were based on an indicative quote from a potential supplier.[54] Further that these costs are spread over all of Jemena's LED lights. Jemena's unit cost per LED light is higher compared to CitiPower, Powercor and United Energy's unit costs. We note that CitiPower, Powercor and United Energy proposed a unit cost for its CMS ($2.20 per light, $1.50 per light and $0.40 per light respectively). However, these unit costs are derived from spreading the total CMS cost across all public lighting types, including legacy lights.[55]

We also note Jemena proposed to offer an advanced CMS module, where users can remotely control the lights in real or scheduled times.[56] In comparison, CitiPower, Powercor

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52 Jemena, response to information request *IR031 – Follow-up questions for ANS and Public Lighting – 20250606*, received 26 June 2025.

53 Jemena, response to information request *IR031 – Follow-up questions for ANS and Public Lighting – 20250606*, received 26 June 2025.

54 Jemena, response to information request *IR031 – Follow-up questions for ANS and Public Lighting – 20250606*, received 26 June 2025.

55 See CitiPower, *CP ATT 11.01 - Public lighting - Jan2025 – Public*, p. 5, Powercor, *PAL ATT 12.01 - Public lighting - Jan2025 – Public,* p. 5, United Energy, *UE ATT 12.01 - Public lighting - Jan2025 – Public*, p. 5.

56 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, pp. 9-10.

and United Energy proposed to introduce a basic CMS module where users can remotely access public lighting data for operational information.[57]

We consider Jemena provided sufficient evidence to justify its smart lighting costs. However, in light of stakeholder feedback we do not consider Jemena's proposed volume of smart cell rollout is reasonable. In a meeting we had with the VGA it stated that while it agreed that smart cells should be installed on major roads, in its view there is no cost benefit in installing smart cells on the majority of residential roads. Jemena responded that it has no concerns with the VGA's views and it would adjust the volume of its smart cell rollout in its revised proposal to reflect customer's needs.[58]

14.2.4.5 Omission of bracket material costs

In response to one of our information requests, Jemena stated it invertedly omitted the material costs of the bracket from its overall capex costs, and that it will rectify this in its revised proposal.[59] This will further increase LED prices.

Jemena provided the unit costs of the brackets for each LED lighting type. However, it did not specify how many brackets it will propose to replace in the 2026–31 period. Our analysis shows that if Jemena replaces the bracket for each LED light to be installed, its proposed LED prices will increase by an additional 10%. However, we note council-funded accelerated rollout LED lights will also decrease by an additional 7.7%.

As we do not know the volumes of the brackets to be installed at this stage, we cannot add these costs to Jemena's public lighting model for our draft decision. However, we request Jemena to provide in its revised proposal the relevant bracket cost information, including all underpinning unit cost, volume and other relevant assumptions. We also encourage Jemena to engage with its stakeholders on these additional costs ahead of submitting its revised proposal.

14.2.4.6 'Accelerated LED rollout' – council and DNSP funded

We do not consider Jemena's proposed accelerated LED rollout is reasonable. We consider Jemena has not sufficiently addressed stakeholder's concerns including on the financial / pricing aspects (which are related to the volume of council-funded accelerated LED installations). For the draft decision we have used the proposed price and volumes as in Jemena's initial proposal as we do not have better information to substitute. We encourage Jemena to engage with its stakeholders to determine the accelerated LED rollout inputs which address these concerns in its revised proposal.

In its proposal, Jemena considered it prudent to replace all legacy lights with LEDs during the legacy light replacement cycle to reduce costs (i.e. replace on failure). Jemena proposed that the councils should fund any accelerated LED rollout (i.e. the replacement of those legacy lights not at the end of their life), and subsequently receive a lower ongoing tariff (reflecting ongoing opex costs and the written down-value of the volume of legacy lights replaced).[60]

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57 See CitiPower, *CP ATT 11.01 - Public lighting - Jan2025 – Public*, p. 5. Powercor, *PAL ATT 12.01 - Public lighting - Jan2025 – Public,* p. 5. United Energy, *UE ATT 12.01 - Public lighting - Jan2025 – Public*, p. 5.

58 Jemena, response to information request *IR031 – Follow-up questions for ANS and Public Lighting – 20250606*, received 26 June 2025.

59 Jemena, response to information request *IR031 – Follow-up questions for ANS and Public Lighting – 20250606*, received 26 June 2025.

60 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p.13.

The proposed price for council funded LED lights is 10% less than current 2025–26 LED prices.

In its submission the VGA considered that Jemena should fund the accelerated LED rollout.[61] In a meeting we had with the VGA, it stated there is no incentive for councils to fund the accelerated LED rollout with the proposed prices. VGA agreed with Jemena's approach to create separate RABs for council and DNSP-funded LED lights to avoid cross-subsidisation between tariff groups. However, it stated that under Jemena's proposed prices for public lighting, councils do not have the incentive to pay the upfront capex costs to install the LED luminaries.[62]

In response to an information request Jemena stated that it developed a proposal that allows individual councils to choose whether they wish to fund the rollout of LEDs or have Jemena fund it. It considered this decision is not required by councils until a later date. Jemena also stated it does not have any concerns with VGA's request to provide an option where Jemena funds the accelerated LED rollout and have developed a pricing approach to accommodate it.[63]

Jemena also advised us that the proposed volume of council-funded LED rollout is based on the annual fault rate for each lighting type.[64] We are not clear on the basis or rationale for this. Further, we did not receive sufficient evidence that indicates Jemena consulted with its stakeholders when developing its proposed volumes for its council-funded accelerated LED rollout. We consider it is appropriate that councils should have some input, or at least be consulted with, on the council-funded LED rollout.

We also note that Jemena stated some councils may not be in a financial position to fund the accelerated LED rollout.[65] We note that this may also be influencing the VGA's view that the majority of councils do not have the incentive to fund the accelerated LED rollout.

We consider Jemena should further engage with its stakeholders on the concerns that the price for the council funded LED rollout, the basis for this, and ways to incentivise councils to fund the 'accelerated LED rollout' (if any).

14.2.4.7 Proposed labour rate for public lighting services

We consider Jemena's proposed labour rate for its public lighting services reasonable. However, we will substitute Jemena's proposed labour escalators with our draft decision labour escalators and update for inflation.

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61 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, May 2025, p. 14.

62 Further given the section above on the 'Omission of bracket material costs' for the end of life replacement, it is likely that the upfront capex costs for the accelerated LED rollout would also change to reflect these costs, further impacting this incentive.

63 Jemena, response to information request *IR031 – Follow-up questions for ANS and Public Lighting – 20250606*, received 26 June 2025.

64 Jemena, response to information request *IR018 – Public Lighting models – 20250507*, received 23 May 2025.

65 Jemena, *JEN - Att 11-02 Public Lighting - 20250131 – Public*, January 2025, p. 2.

In its submission, VGA noted that Jemena's proposed labour rate was 50% higher compared to AusNet, and 10% higher compared to CitiPower, Powercor and United Energy.[66] In its response to an information request, Jemena stated its proposed labour rate is based on its forecast expenditure for public lighting field workers for the 2025 calendar year. Jemena also noted that the Field Worker labour rate for public lighting services is less than its proposed labour rate for a Field Worker in ANS. This is due to the slightly less complex nature of public lighting services. Jemena also provided its wage data calculations for each of its public lighting employees.[67]

As Jemena's proposed labour rate of $158.40 is lower than our maximum benchmark labour Field worker rate of $159.06 for public lighting (derived from our benchmark labour rates for ANS), we consider it reasonable. However, we will substitute Jemena's proposed labour escalator with our draft decision labour escalator and update for inflation.

14.2.4.8 Pole inspection rate

We do not consider Jemena has provided sufficient evidence to support its proposed pole inspection rate of 30 inspections per day as it is lower than it proposed in the current period and is also lower than the other Victorian DNSPs. As a placeholder for the draft decision, we propose to use an inspection rate of 68 inspections per day (as proposed by the other Victorian DNSPs) and to seek information from Jemena in its revised proposal as to why it cannot achieve this in the next period.

In its submission, the VGA noted that Jemena's daily pole inspection rate is lower compared to the other Victorian DNSPs. It considered that without further information from Jemena, the pole inspection rate should be updated from 30 inspections to 75 inspections per day.[68]

Jemena explained in response to an information request that the effort to inspect public lighting poles varies with the age of the pole. Poles that are 10 or more years old require excavation around the base to observe for any degradation (rust or holes). Based on its asset management records in 2024, Jemena's staff inspected approximately 15 poles per FTE in an 8-hour day. Jemena considered an inspection rate of 68 poles per day was achievable assuming there is no digging required during the inspection. Jemena also emphasised that given the age and condition of its public lighting poles, digging is now part of its standard operating environment.[69]

Jemena highlighted this issue in its 2021–26 determination, noting 65% of its poles were over 10 years old and required digging for the inspection. We accepted this explanation and its proposed pole inspection rate of 37 poles per day for our 2021–26 draft decision.[70]

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66 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, pp. 11-12.

67 Jemena, response to information request *IR018 - Public Lighting models – 20250507*, received 25 May 2025.

68 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, pp. 12-13.

69 Jemena, response to information request *IR031 – Follow up questions for ANS and public lighting - 20250606*, received 26 June 2025.

70 AER, *Draft decision – Jemena distribution determination 2021–26 – Attachment 16 – Alternative control services*, September 2020, pp. 40-41.

However, we do not consider Jemena sufficiently addressed our concerns on why it proposed a significantly lower pole inspection rate compared to the other Victorian DNSPs. We consider that all DNSPs have aged public lighting poles of varying degrees. Jemena has not provided any information on the unique nature of its jurisdiction compared to other Victorian DNSPs to propose a lower pole inspection rate. Additionally, we do not understand why Jemena proposed a lower inspection rate than the current 2021–26 period and the actions Jemena has taken to remediate this (if any).

14.2.4.9 PE Cell (smart cell) replacement cycle for LED lights

We do not consider Jemena's PE cell replacement cycle for LED lights of 8 years is reasonable. In the draft decision we have used a replacement cycle of 10 years as a placeholder, including as we will seek to take into account any updates the ESCV makes to the Public Lighting Code in our final decision.

In response to an information request, Jemena stated its 8-year PE cell replacement is the minimum requirement as set out in the Public Lighting Code. This was the basis for Jemena's bulk lamp replacement program for its legacy lights. Jemena considered replacing PE cells simultaneously with legacy lights in its accelerated replacement program is more prudent than running a separate 10-year replacement cycle, as it minimises the number of site visits, thus reducing vehicle and labour costs.[71]

In its submission the VGA stated Jemena should not use the minimum standard in the Public Lighting Code as it is based on the requirements for legacy lights and does not apply to LEDs. VGA stated that smart cells (which replace PE cells) and LEDs have a useful life of 10 years and 20 years respectively. Therefore, the maintenance cycle for PE cells should be updated to 10 years for LED lamps.[72] We also note that CitiPower, Powercor and United Energy proposed a 10 year PE replacement cycle to reflect the effective life for LED lights.

We note advice from our internal technical experts that PE cells generally have an effective life of circa 15 years. Furthermore, our internal technical experts consider it may be more cost efficient to run a reactive replacement program for non-traffic route lighting (i.e. replacing PE cells on failure) rather than proactively replacing PE cells every 8 to 10 years, as currently proposed by Jemena. While there is a safety concern regarding the need to maintain sufficient lighting for traffic routes (major roads), it is not clear the same requirement is necessary for non-traffic roads. Additionally, with the introduction of smart lighting technology in the 2026–31 period, we consider the reactive approach may be more cost effective as both Jemena and the councils would remotely receive real time data that the PE cell has failed.

We also note the ESCV is currently reviewing the Public Lighting Code. The ESCV has proposed to remove this standard and require DNSPs to replace the PE cells in accordance with 'industry best practise' or as otherwise required by the public lighting standards. This is

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71 Jemena, response to information request *IR031 – Follow up questions for ANS and public lighting - 20250606*, received 26 June 2025.

72 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, p. 13.

set out in its consultation paper released in August 2025, with a final decision in November 2025 and changes to take place on 1 January 2026.[73]

We do not consider Jemena's proposed PE cell replacement cycle of 8 years is reasonable. While Jemena proposed the minimum standard as set out in the Public Lighting Code, the ESCV has proposed this standard no longer applies The ESCV considers DNSPs should apply 'industry best practice' or as otherwise required by the public lighting standards. For our draft decision we have adjusted Jemena's PE cell replacement cycle to 10 years. We note this is a placeholder, including as we will seek to take into account any updates the ESCV makes to the Public Lighting Code later in the year. We also encourage Jemena to consider the possibility of adopting a reactive replacement program for non-traffic route lighting (supported by financial analysis and modelling).

14.2.4.10 Updates for more mechanical issues

We have amended the following inputs into Jemena's public lighting models. These amendments are consistent with our draft decision on other relevant aspects of Jemena's proposal.

Rate of return

We substituted the rate of return inputs in Jemena's public lighting models to be consistent with our draft decision on Jemena's rate of return (see section 2.2 of the Overview).

Inflation

We have substituted the forecast inflation input for the 2026–27 year in Jemena's public lighting model with placeholder values in this draft decision. We will update this for actual inflation in our final decision consistent with our final decision on Jemena's control mechanisms.

Labour escalators

We substituted the labour escalators in Jemena's public lighting model to be consistent with our draft decision on Jemena's opex (see Attachment 3).

Public lighting prices in 2025–26

We amended the public lighting prices for 2025–26 in Jemena's public lighting model to match the public lighting prices in its approved pricing proposal for the 2025–26 regulatory year. The model prices did not match the approved public lighting prices for 2025–26 as Jemena finalised its public lighting models in its initial proposal prior to preparing its 2025–26 pricing proposal (which we approved).

As Jemena's approved prices are slightly lower than those used in the public lighting models, our amendments resulted in very minor changes (0.4%) to Jemena's public lighting prices (all else being equal).

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[73] Essential Services Commission Victoria, *Public Lighting Code of Practice Review, Consultation Paper*, 20 August 2025, p. 8.

14.2.4.11 Introducing new services during a regulatory control period

Our draft decision is that Jemena must price any new public lighting services it introduces during the 2026–31 period according to the control mechanism for quoted services. Jemena should only introduce new services because customers want them (customer driven). In proposing new services, we require that Jemena demonstrates customer support for such prices and services.

We consider this is consistent with our previous distribution determinations. We stated new alternative control services introduced during a regulatory control period with characteristics that are the same, or essentially the same, as other alternative control services should be priced as a quoted service until the next regulatory control period (see Attachment 12).

It is worth considering that quoted services generally apply to one-off services. The control mechanism poses no administrative issues where, for example, a council agrees to pay for the installation of new technologies up-front.

However, some councils may prefer to pay for new technologies over their economic or useful life. We consider this is possible under the control mechanism for quoted services. This could involve determining the up-front costs based on the control mechanism formula as a first step. The DNSP would then calculate an annual fee using a method appropriate to the service.

Further information about quoted services and introducing new prices within the 2026–31 period is set out in Attachment 12.

Shortened forms

Term	Definition
ACS	alternative control services
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
ANS	Ancillary network services
Capex	capital expenditure
CAM	Cost Allocation Method
CPI	consumer price index
DNSP	distribution network service provider
F&A	framework and approach
LED	Light Emitting Diode
NEL	National Electricity Law
NEM	National Electricity Market
NER or the rules	National Electricity Rules
Opex	operating and maintenance expenditure
PTRM	post-tax revenue model
RAB	regulatory asset base
RBA	Reserve Bank of Australia
RRG	Reset Reference Group
WACC	weighted average cost of capital