Feedback to AER on Jemena Electricity Networks distribution 2026-31 Draft Decision

Energy Reference Group

December 2025

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Background – The Energy Reference Group

As part of their customer and stakeholder engagement approach, Jemena established the **Energy Reference Group ("ERG")** to provide expert advice and insights to Jemena on the key issues relating to the 2026-31 regulatory period.

ERG is a diverse mix of independent energy experts and customer advocates with expertise and knowledge of the energy sector, the requirements of electricity distribution networks, regulatory topics, the energy transition, and tariffs.

In 2025, ERG members include:

- **Andrew Richards**, Chief Executive Officer, Energy Users Association of Australia
- **Gavin Dufty**, Executive Manager, Policy and Research, St Vincent de Paul
- **Kate Hansen**, CarbonLite Chief Operating Officer
- **Kellie Larsen,** Director, Verve Strategic Consulting
- **Dr Morley Muse**, Co-Founder and Director, iSTEM
- **Neil Watt**, Network Strategy Adviser
- **Ruchika Deora**, Head of Product, SEC Victoria
- **Ruth Harland**, Utilities Officer, Moonee Valley City Council

Since the AER provided its Draft Decision, the ERG has met with Jemena twice; once in October 2025 to review the key findings in the AER's draft decision and again in November 2025 to review Jemena's revised proposal.

Before each session, Jemena distributed comprehensive pre-read materials and delivered in-depth presentations on key topics to ensure ERG members had the necessary information to ask informed questions and seek clarifications. The ERG sessions were well-attended by members of the Jemena team, who actively engaged in listening and gathering insights from the discussions and collaborations. The Jemena team deserves commendation for their continued open, constructive engagement and curiosity throughout this process.

Key Areas of focus in the AER Issues Paper for the ERG

Priorities

After the October 2025 meeting, the ERG committed to providing comprehensive insights and feedback to the AER regarding the Draft Decision on the following topics:

- Potential impact of capital (and operational expenditure) reductions on future network reliability
- The role of distributors in the energy transition
- Public lighting
- Tariff structures
- Metering
- Customer Incentive Schemes
- Innovation Funding

This report provides a summary of the ERG's feedback to the AER on key areas of its Draft decision for Jemena electricity distribution determination 1 July 2026-30 June 2031 published in September 2025.

Jemena Energy Reference Group Feedback

1. Impact of Capital and Operational Expenditure Reductions on Network Reliability

The ERG expresses significant concerns regarding the AER's proposed reductions in both capital (capex) and operational (opex) expenditure, with particular emphasis on the scale of cuts for replacement (-38%) and augmentation (-34%) programs, as well as reductions affecting ICT and innovation initiatives. While recognising the importance of capital and operational efficiency, the ERG highlight that such substantial reductions could compromise long-term network resilience and reliability. There is a risk these cuts may lead to deferred liabilities and degraded service, especially as the network must respond to climate volatility, increased electrification, and changing customer needs.

Specific concern was raised about the AER's rejection of non-routine capex for key substations, given the critical role these assets play in maintaining reliability during the energy transition and rising network demands.

The ERG emphasises the necessity for updated business cases that clearly demonstrate the net benefits and efficient, timely expenditure required to support network reliability. This was particularly relevant for critical projects such as the Coburg North, Coburg South, and North Heidelberg zone substations, to ensure both customers and the AER could have confidence in the efficiency and timing of proposed investments. These assets underpin reliability in areas experiencing dense urbanisation and shifting load profiles.

In addition, the ERG notes that the pipeline of data centre build demand is unprecedented, with more projects likely to proceed than the AER currently recognises. These installations represent exceptionally large commitments. The ERG recommends the AER clarify its expectations regarding the recognition of firm offers and consider a reopener mechanism based on actual data in the coming years.

2. The Role of Distributors in the Energy Transition

The Draft Decision reflects a more traditional interpretation of a distributor's role, but the realities of the energy transition demand more ambitious regulatory support. Distributors sit at the heart of enabling household electrification, flexible exports, dynamic operating envelopes, and equitable tariff paths. These initiatives are not optional add-ons; they are foundational to a decarbonised, prosumer-led energy system. A regulatory environment that embraces innovation rather than constraining it is essential.

The energy transition has shifted the role of distributors from passive infrastructure managers to enablers for both household and SME decarbonisation. This transition requires a regulatory shift from "slow and steady" to "innovative and flexible", with Jemena's CER strategy, tariff reform, and data centre integration representing positive steps in this direction. However, regulatory support must keep pace with the complexity and speed of the energy transition.

Key components like flexible exports, voltage management, and dynamic operating envelopes are essential for building a distributed, customer-driven energy system - they are no longer optional. Tariff models should adapt to accommodate emerging usage trends, new patterns in energy storage, and ensure fair access to electrification advantages.

Regulatory frameworks should support and reward efforts that drive rapid innovation, flexibility, and integration, ensuring no customer, including renters, vulnerable communities or low-income households is left behind.

The ERG highlights a significant gap in customer education during the energy transition, particularly around DNSP-customer touch points, safe connection of CERs, minimum demand backstop processes, time-of-use tariffs and Virtual Power Plant (VPP) potential. The ERG urges the AER to clarify who is responsible for this education if not Jemena, and to ensure that, if delegated to the SEC or another agency, education efforts include in-person group sessions, not just online information. Effective education is essential for a successful, inclusive and socially supported energy transition.

Additionally, the ERG raises concerns about the lack of clear power requirement information for appliances such as three-phase induction cookers at the point of sale. It is suggested that mandating this disclosure would aid successful household electrification, potentially as a role for the SEC.

3. Public Lighting

Modern, efficient public lighting is fundamental to community safety, liveability, and emissions reduction. The ERG notes that reducing smart lighting volumes could hinder the shift to low-emission infrastructure and delay these societal benefits.

ERG feedback highlights that councils are increasingly prepared to fund accelerated LED rollout, and there is a robust support framework in place to ensure all councils can specify their needs ahead of default meter replacements. Ongoing collaboration with councils and customers remains critical to balance cost, environmental impact, and community expectations.

4. Tariff Structures and Cost Allocations

The ERG recommended Jemena to undertake detailed, year-on-year analysis of cost allocations and cross-subsidies across customer classes for 2026–2031, particularly considering government policy constraints and demand forecasts. There is particular interest in transparent modelling that tracks who subsidises whom, and how risks evolve over time.

The ERG feedback reinforces the need for adaptive, equitable tariff structures that supports efficient energy use, protects vulnerable customers, and incentivises participation in new initiatives such as EV charging, rooftop solar exports, and demand flexibility.

It is also noted that controlled load tariffs worked well in the past for diversifying peak demand and that a similar approach could be beneficial for EV charging. This could involve specific metering and controls for EV circuits, incentivised by favourable tariffs, while still allowing customer choice and flexibility.

5. Metering

The ERG supports the AER's preference for meter replacement over manual inspection, aligning with efficiency and modernisation goals.

Moving directly to smart meter upgrades is seen as a practical step that eliminates unnecessary site visits and delivers operational savings whilst prioritising efficiency. Smart meters provide richer data analytics, enable real-time insights, improve network visibility, and empower customers to manage their usage - critical for building a flexible, customer-centric network.

A further recommendation includes building a longitudinal dataset to support potential changes to STPIS and for meters capable of identifying loads on the LV network, not just the minimum specified by the Victorian Government to enhance transparency at the grid edge.

6. Customer Incentive Schemes

We acknowledge the difficulty in developing robust customer incentive schemes, particularly where longitudinal data is limited. The current placeholder schemes lack comprehensive evidence and may not adequately address customer engagement or behaviour change.

The AER recommend for Jemena to advocate for incentives that are meaningful and data-driven, and inclusive, ensuring small customers are not excluded. Excluding small customers risks deepening the divide between "transition-ready" households and those already disadvantaged. Incentive schemes should be designed with diverse customer voices and focus on long-term trust-building and engagement.

Losing incentives for smaller customer connections would be a missed opportunity to foster engagement, build trust, and encourage positive behaviour across the network.

7. Innovation Funding

The ERG supports Jemena's Innovation Fund, which is designed to trial new technologies and initiatives. The inclusion of Innovation funding within Jemena's submission is critical for enhancing grid flexibility, testing customer-centric solutions and achieving long-term social and environmental benefits.

The AER's partial approval of Jemena's Innovation Fund overlooks a critical gap in Australia's energy innovation ecosystem. Existing grant mechanisms, such as via ARENA, are often slow, administratively burdensome, and poorly suited to smaller, agile trials that test customer-centric solutions.

Experience within the ERG with Government grant funding programs has reinforced this – ARENA funding programs in particular can take up to 6-12 months for grant agreements to be in place and require 50% co-funding from the applicant. This would result in additional grant management oversight, cost burdens and delays to testing and implementation of innovative, but smaller scale concepts within the Jemena network.

Jemena's proposal offers a pragmatic vehicle for smaller-scale, high-impact trials that test technologies, enable flexibility, and build an evidence base for future investments. The ERG recommended Jemena adopt a co-governed, evidence-based framework, supported by transparent evaluation and customer involvement to ensure enduring value.

8. Additional Governance and Strategic Considerations

The ERG commends Jemena's ongoing commitment to balancing cost efficiency, reliability, and innovation, vital for energy security and sustainability. Ongoing, transparent engagement with communities, including culturally diverse groups, small businesses and low-income customers, will be key to maintaining trust and ensuring regulatory outcomes remain aligned with customer and community needs.