Final decision

Jemena electricity distribution determination
1 July 2026 – 30 June 2031

Attachment 14 – Alternative control services

April 2026

AUSTRALIAN ENERGY REGULATOR

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14 Alternative control services

This attachment sets out our final decision on the 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 final 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 distributor 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.

The final decision price lists can be found within the ANS and public lighting pricing models, consistent with our approach in the draft decision. Specifically, in:

- AER – Standardised ANS model - Final Decision - Jemena distribution determination 2026-31 - April 2026
  - Refer to tabs – 'Final Decision – Labour' and 'Final Decision – Services'.
- AER – Att 11-05M ACS Public lighting model – PUBLIC - Final Decision - Jemena distribution determination 2026-31- April 2026.
  - Refer to tab – 'AER Final Decision'.

14.1 Ancillary network services

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

Networks charge customers for ANS on a user-pays basis, either through a fixed fee or a quoted price, depending on the nature of the service.

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.

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[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 outlined 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.

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

14.1.1 Final decision

14.1.1.1 Fee-based and quoted services

Our final decision is to not accept Jemena's revised proposal prices for ANS in the 2026–31 period as submitted, although we do accept some aspects of its revised proposal. Based on our analysis and updated inputs, our final decision is to:

- accept Jemena's updated approach to calculate its labour rates for its Field worker labour category
- update Jemena's labour rates and prices for year one of the 2026–31 period for actual inflation
- substitute Jemena's nominal vanilla weighted average cost of capital (WACC) to calculate its tax recovery rate for its connection charges with our final decision WACC
- substitute Jemena's proposed X factors with our final decision X factors, which reflect our updated labour price growth forecasts.

Our final decision ANS prices for 2026–31 and X factors are set out in the final decision ACS fee based and quoted services model. Our final decision ANS prices for the 2026–31 period are, on average, 1.5% higher than Jemena's proposed prices.

14.1.1.2 Form of control for ancillary network services and X factors

Our final 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[2], and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12 – Control mechanisms.

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 distributor).[3]

Our final decision X factors for ANS are set out in our final decision ANS fee based and quoted service model. As noted above, they reflect our updated labour price growth forecasts.

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2 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. For ANS, the X factor is the change in wage prices given that labour is the primary cost input for providing these services.

3 For more detail on the reasons for this decision, see the discussion in section 3.4.3.1 of AER, *Attachment 3 - Operating expenditure - Final decision - Jemena Distribution determination 2026-31*, April 2026.

14.1.2 Jemena's revised proposal

In its revised proposal, Jemena updated its labour rates and prices for its fee-based services. To summarise, Jemena:

- accepted our decision to not include a 6% margin to fee-based services
- updated its Field Worker labour rate to incorporate the base salary of the Glove and Barrier line worker. Jemena noted this is consistent with Marsden and Jacobs' approach which we previously accepted during the 2021–26 Victorian distribution network service provider (DNSP) price reset.
- accepted our draft decision prices for field-based energisation and de-energisation services and field-based special meter reads and meter tests of type 5, 6 and smart meters
- updated its labour rates and fee-based services for actual inflation and its labour price growth forecasts.[4]

Based on the above updates, Jemena's revised fee-based ANS prices are 2.6% higher than our draft decision and 9.3% lower than its initial proposal.

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 consider relevant stakeholder feedback raised throughout the consultation process and benchmark Jemena's proposed ANS prices against its prices for the 2021–26 period and the prices of other distributors.

14.1.4 Reasons for decision

The reasons for our decision on items other than as set out in the section below are summarised in section 14.1.1. As outlined in that section, these relate to mechanical updates to inflation, labour price growth forecasts and where required the WACC, that we used in making our final decision.

We did not receive any stakeholder feedback in relation to the proposed ANS prices and control mechanism.

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4 Jemena, *JEN - RP - Att 11-01 Alternative control services,* December 2025, pp. 5-6.

14.1.4.1 Labour rate for Field workers

Our final decision is to accept Jemena's revised approach to calculate its labour rate for its Field worker. We consider Jemena provided sufficient evidence to justify the increase to its labour rate for its Field worker. However, for our final decision, we will adjust Jemena's proposed Field worker labour rate with actual inflation and our final decision X factors, consistent with our adjustments for Jemena's other labour categories.

In its revised proposal, Jemena proposed to increase its labour rate for its Field worker to our maximum benchmark rate. Jemena stated it incorporated the base salary of the Glove and Barrier line worker to calculate its labour rate for its Field worker.[5] As using the Glove and Barrier line worker to calculate its labour rate resulted in a slightly higher cost, Jemena proposed to use our draft decision benchmark labour rate and considered this approach appropriate.[6] Jemena's update to its Field worker labour rate resulted in an average 3.8% price increase across its fee-based services.

In response to our information request, Jemena stated it unintentionally omitted the Glove and Barrier line worker category when developing its labour rates in its initial proposal. Jemena emphasised that including the Glove and Barrier classification is a data correction, not a change in methodology. It considered this more closely reflects the labour resources required to complete the work safely and efficiently and is consistent with Jemena's Enterprise Bargaining Agreement.[7]

Jemena stated it deploys Glove and Barrier line workers to deliver most of its fee-based services as they are authorised to work on live power lines using protective equipment. Jemena highlighted that regular line workers are not authorised to work on live power lines until they receive their Glove and Barrier qualification. If Jemena were to use regular line workers (without the Glove and Barrier qualification), it would need to schedule outages, delaying work and therefore incur higher costs.[8]

Jemena also noted that once a line worker receives their Glove and Barrier qualification, they would progress to a higher pay level under the respective Enterprise Bargaining Agreement. Jemena stated this is not an allowance but a direct pay increase, regardless of the work being performed.[9] Jemena provided excerpts to its Enterprise Bargaining Agreement, the qualifications required for line workers to progress its pay scale, and current base salary for its Glove and Barrier line workers.

We consider Jemena's explanation reasonable as it provided sufficient evidence to justify the labour rates for its field workers. We consider it is appropriate for Jemena to revise its labour rate given it was able to sufficiently explain the reasons behind this revision, with supporting evidence, noting that even with these revisions it is under our final decision maximum benchmark rate. However, for our final decision, we adjust Jemena's proposed Field worker labour rate with actual inflation and final decision labour escalators.

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5 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 5.

6 Jemena, *Response to information request #082 – ANS - Field worker labour rate - confidential*, March 2026.

7 Jemena, *Response to information request #082 – ANS - Field worker labour rate - confidential*, March 2026.

8 Jemena, *Response to information request #082 – ANS - Field worker labour rate - confidential*, March 2026.

9 Jemena, *Response to information request #082 – ANS - Field worker labour rate - confidential*, March 2026.

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.[10]

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

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 Final decision

Our final decision is to not accept Jemena's revised proposal for public lighting services in the 2026–31 period as submitted. Jemena made several updates to its revised proposal after submitting, both in light of issues raised in the Victorian Greenhouse Alliance's (VGA) submission and our information requests.[11] While we do not accept Jemena's revised proposal, based on our analysis and inputs for our final decision, we:

- accept Jemena's proposed expenditure and approach to fund the accelerated LED rollout by the end of the 2026–31 period as set out in its updated revised proposal
- accept Jemena's revised smart lighting expenditure and approach as set out in its updated revised proposal
- accept Jemena's proposed 'opt-in smart lighting' charge for residential lights as set out in its updated revised proposal
- do not accept Jemena's revised pole inspection rate of 30 poles per day. We maintain our draft decision of pole inspection rate of 68 poles per day.

We have also applied our final decision inputs on labour price growth forecasts, the WACC and inflation to Jemena's updated revised proposal. These are updated, amongst other reasons, for consistency with other aspects of our final decision on Jemena's regulatory proposal (see section 14.2.4.8 where these updates are outlined). We applied these updated inputs in the Final Decision Public Lighting model, resulting in minor adjustments to Jemena's updated revised proposal public lighting prices (noting that the other updates made by Jemena above had more material impacts).

We note our final decision is to classify type 9 metering services requested by public lighting customers, and only public lighting customers, as alternative control services. These services will sit within the existing public lighting service group. This is set out in Attachment 11. As

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

11 Victorian Greenhouse Alliances, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31,* January 2026; Jemena, *response to information request #068 – follow up questions for public lighting*, received 13 February 2026; Jemena, *response to information request #080 – Jemena updated public lighting models*, March 2026.

set out in section 14.2.4.4 Jemena proposed these costs as a part of its smart lighting costs, and we consider they are appropriately included in the public lighting costs.

As set out in Attachment 12, our final decision is to maintain our final F&A position to apply price caps to public lighting as the form of control. 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,[12] and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12.

Our final decision public lighting prices for 2026–31, including the X factors, are set out in the Final Decision Public Lighting model. The X factors are used to adjust prices annually for years 2 to 5 of the 2026–31 period. Our final decision public lighting prices for 2026–27, the first year of the 2026–31 period, are, on average, 0.5% lower than Jemena's updated revised proposal prices and 26.9% lower than Jemena's original revised proposal.

14.2.2 Jemena's revised proposal

In its revised proposal, Jemena made changes to its public lighting models to refine its inputs and reflect stakeholder feedback post our draft decision. In addition to mechanical updates to its public lighting models (i.e. labour price growth forecasts, inflation and the WACC), Jemena:

- proposed to fully fund the accelerated LED rollout
- accepted our draft decision on the volume of smart cells deployed
- included its bracket material costs and replacement volumes in its public lighting models
- proposed to implement an on-premise deployment for its smart lighting solution
- accepted our draft decision on the photoelectric cells (PE cell) replacement rate
- did not accept our draft decision on its pole inspection rate.

Based on its understanding of councils' feedback, Jemena proposed to fully fund the accelerated LED rollout, and removed the council-funded LED tariffs that were in its initial proposal.[13] In our draft decision, we considered Jemena needed to further engage with its stakeholders to determine councils' interest in funding the accelerated LED rollout and refine its forecast volume of council-funded LED lights.[14] Following this feedback, Jemena engaged with the VGA and confirmed councils' preference for Jemena to fund the accelerated LED rollout, as most councils had limited ability to access capital based on the over 10-year payback period.[15]

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12 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.

13 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 10.

14 AER, *Attachment 14 – Alternative control services – Draft decision – Jemena distribution determination 2026-31,* September 2026, p 14; Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 8.

15 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, pp. 9-13.

Jemena accepted our draft decision to reduce the volume of the smart lighting control devices installed in the 2026–31 period (reflecting stakeholder feedback).[16] However, Jemena proposed to adopt a licence on-premise deployment for its smart lighting, rather than a cloud-based SaaS solution as in its initial proposal. Jemena stated this deployment is more efficient as it offers long term cost savings with a one-time capital expenditure (capex) for the once-off perpetual licence and a reduced annual maintenance charge per device. Additionally, it stated an on-premise solution provided greater control of data and enhanced compliance and security features.[17]

Jemena included material costs and volumes for bracket replacement in its revised public lighting models, as it had inadvertently omitted these costs in its initial proposal. Jemena noted its forecast volumes for its bracket replacement in the 2026–31 period broadly aligned with historical trends but anticipated a step change in replacement volumes due to its proposed bulk re-lamping during the accelerated LED rollout.[18]

Jemena accepted our draft decision to increase the replacement cycle for PE cells to a 10-year cycle. Jemena supported the direction highlighted in the Essential Services Commission of Victoria's (ESCV) consultation paper on Public Lighting Code review. In its review, the ESCV considered the replacement rate for PE cells should be based on industry best practice (or otherwise stated by applicable standards) rather than a fixed 8-year cycle. Jemena agreed with this view and recognised that PE cells, especially those integrated with smart lighting systems, are designed to exceed the 8-year effective life. Therefore, it considered our draft decision placeholder of a 10-year replacement cycle for PE cells to be a reasonable interim position. Jemena stated it will also comply with the ESCV's final decision on the Public Lighting Code Review.[19]

Jemena did not agree with out draft decision to replace its pole inspection rate with 68 inspections per day. Jemena maintained its initial proposal position to use of 30 pole inspections per day, citing that an increasing the number of pole inspections would result in safety concerns and undermine asset records.[20]

Following submission of its revised proposal, Jemena updated its revised proposal and proposed to reintroduce the council-funded LED tariffs and introduce an 'opt-in smart lighting' charge for its residential roads. This was in response to the VGA's submission, further consultations Jemena had with its stakeholders, and our information requests.[21] On 4 March 2026, Jemena submitted an updated public lighting pricing model to reflect these changes as part of its response to our information request. We note Jemena's 2026–27 prices in its revised proposal for public lighting were, on average, 70.6% higher than our draft decision, while its 2026–27 updated revised proposal prices were on average 24.8% higher than our draft decision.

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16 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 8.

17 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 8.

18 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 12.

19 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, pp. 11-12.

20 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 10.

21 Jemena, *response to information request #068 – follow up questions for public lighting - public*, February 2026.

We discuss the above proposals and our assessment further in section 14.2.4.

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 distributors, particularly in Victoria, and against independent data and information as relevant. Specifically, we assessed proposed labour price rates, luminaire prices, other input assumptions and stakeholder submissions to derive public lighting prices for this final 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 decision

Our final decision is to not accept Jemena's revised proposal for public lighting services in the 2026–31 period as submitted. Jemena made several updates to its revised proposal after submitting, both in light of issues raised in the VGA's submission and our information requests. While we do not accept Jemena's revised proposal, we do accept most aspects of the updates it made to its revised proposal. However, we do not accept the proposed pole inspection rate and we have also updated the labour price growth forecasts, the rate of return and inflation inputs. The latter are more mechanical updates to its revised proposal (including its updated revised proposal) and update prices to maintain consistency with other aspects of the final decision on Jemena's revised proposal.

14.2.4.1 Overall assessment

Overall, we do not consider Jemena's revised lighting proposal is reasonable as submitted and we have not accepted it. This is because, as set out below, Jemena made a number of updates to its revised proposal after submitting, and we have also made a number of adjustments where we consider specific inputs are not reasonable or require updating.

In summary, our final decision makes the following adjustments to Jemena's updated public lighting model (which made updates for the accelerated LED rollout and smart lighting, including for the opt-in smart lighting charge)[22]:

- replace Jemena's proposed pole inspection rate of 30 inspections per day with 68 inspections per day (see section 14.2.4.7)
- amend Jemena's proposed public lighting prices to be consistent with other aspects of our final decision, namely labour price growth forecasts, the rate of return and inflation (see section 14.2.4.8).

[22] Jemena, *response to information request #080 – Jemena updated public lighting models - confidential*, March 2026.

14.2.4.2 Stakeholder consultation

We consider Jemena's stakeholder engagement in relation to public lighting has largely been reasonable, particularly as we consider Jemena had sufficiently addressed stakeholders' issues, concerns and requests.

In preparing its revised proposal, Jemena engaged with the VGA and its representative councils from September 2025 to November 2025 to confirm councils' interest and ability to fund the LED rollout.[23] This was the basis of its revised proposal. Following this and in response to the VGA's submission to the AER, Jemena continued to engage with the VGA and councils to reintroduce the council funded LED tariffs (see section 14.2.4.3) and introduce the 'opt-in smart lighting' charge (see section 14.2.4.5). On 4 March 2026, Jemena stated it had met with the VGA to present its updated proposal, and the VGA were overall satisfied that Jemena addressed their concerns.[24]

The VGA's submission, which Jemena responded to, raised concerns that with the removal of the council-funded LED tariff, councils that have already fully funded its own LED rollout will be subsidising the costs of accelerated LED rollout for the other councils. The VGA also recommended that Jemena introduce an 'opt-in smart lighting tariff' for residential lights.[25]

Following its submission, we met with the VGA to discuss these issues and its subsequent consultation with Jemena. The VGA stated that it had worked closely with Jemena in providing it council-funded LED volumes to re-establish the council-funded LED tariffs. The VGA also confirmed it had received an early draft of Jemena's updated public lighting model. In the VGA's submission, and Jemena's response to our information request, the VGA commended Jemena on its 'excellent' engagement process throughout the public lighting price-setting process.[26]

Consumer Challenge Panel Sub-Panel CCP32 also provided a submission in which it considered that the collaborative approach to engagement on issues had led to a revised revenue proposal which better meets the needs of customers.[27]

14.2.4.3 'Accelerated LED rollout' – council and Jemena funded

We consider Jemena's updated revised proposal to fully fund the accelerated LED rollout by the end of the 2026–31 regulatory period, taking account of previously council-funded LED rollouts, is reasonable.[28] We consider that Jemena extensively engaged with the VGA and the councils in its service area to develop and refine the accelerated LED rollout proposal, including to determine the extent of councils' interest to fund the LED rollout. Further, Jemena also worked with these stakeholders in relation to previously council-funded LED

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23 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, pp. 8-10.

24 Jemena, *response to information request #080 – Jemena updated public lighting models - public*, March 2026.

25 Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31,* January 2026, pp. 3-4.

26 Jemena, *response to information request #080 – Jemena updated public lighting models - public*, March 2026.

27 CCP 32, *Submission - Jemena electricity distribution proposal 2026-31,* January 2026, pp. 12-13.

28 Jemena, *response to information request #080 – Jemena updated public lighting models - public*, March 2026.

lights in order to reintroduce the council-funded LED tariffs. Reflecting this, and our broader assessment, we accept Jemena's updated revised proposal in relation to the accelerated LED rollout.

Accelerated LED rollouts

In response to each of the Victorian DNSP initial public lighting proposals, the VGA and councils requested accelerated LED rollouts by the end of the 2026–31 regulatory period. That is, all legacy lights to be replaced with LED lights by the end of the next regulatory period. This reflected the benefits of LED lights in the long term through lower energy usage, costs and emissions.

A key issue for DNSPs to consider as a part of any accelerated LED rollout is that councils that have historically paid for LED rollouts should not cross subsidise (and pay again) for the accelerated LED rollout of other councils in the next regulatory period. We, and the DNSPs, considered this could be addressed through separate pricing to differentiate these circumstances.

Two different pricing approaches were proposed in response to this issue:

- Jemena, and AusNet, proposed to have separate council-funded and DNSP-funded LED prices. These were based on separate regulatory asset bases (RABs) and capex and operating expenditure (opex). The lower council-funded LED prices reflected ongoing operating expenditure (opex) for the operation and maintenance of the LED lights given the capex had already been paid by councils. The DNSP-funded prices reflected both the capex required for the accelerated LED rollout and ongoing opex to operate and maintain the LED lights.
- CitiPower, Powercor and United Energy (CPU), proposed an Accelerated Replacement Charge for councils whose legacy lights will be replaced with LED lights as part of CPU's accelerated LED rollout. This charge treated all costs (capex and opex) as opex, to be charged from the year a council replaces a legacy light with a LED light and remaining in place until June 2031. The Accelerated Replacement Charge aimed to recover the full cost of the accelerated LED rollout by the end of the 2026–31 period.

Our final decisions assess each of these proposed approaches as set out below.

In its revised proposal, Jemena stated it would fully fund the accelerated LED rollout (by shifting all forecast volumes from council-funded to DNSP funded LED lights). This was based on its further consultation with the VGA where it confirmed councils had decided not to fund the accelerated LED rollout in the 2026–31 period. Jemena noted that councils had limited capital access to fund the accelerated LED rollout, based on a 10-year payback period.[29]

[29] Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 9.

As a result, Jemena proposed a 78.6% price increase from its 2025–26 prices for its public lighting LED prices.[30] This was predominately driven by the $89.6 million forecast increase in capex required for Jemena to fund the accelerated LED rollout and the subsequent removal of its council-funded LED tariff for public lighting.[31]

However, in its submission, and our engagement with the VGA, it expressed concern that Jemena had proposed to remove the council-funded LED tariff.[32] It stated there were councils (Darebin, Merri-bek and Brimbank) that had already fully funded their LED rollouts. Therefore, the VGA considered these councils would be cross subsiding the costs of the accelerated LED rollout under Jemena's revised proposal public lighting tariffs. It considered Jemena should reintroduce a separate council-funded LED tariff for councils that had already funded their own LED rollout (including with a separate RAB for council funded volumes).

In response to an information request, Jemena stated it was committed to reintroducing the separate RAB for council-funded LEDs in response to councils' feedback.[33] Jemena stated it was engaging with councils to include the existing council funded assets (Darebin, Merri-bek and Brimbank) in a separate price for council-funded LED lights. Further, that Jemena would continue to fund the accelerated LED rollout based on the other councils' preference.[34]

We also met with the VGA in February 2026 to discuss its submission on this issue and subsequent engagement with Jemena. The VGA confirmed that it was engaging with Jemena, had received Jemena's updated interim model and were aware that Jemena had revised the volumes that it was proposing to replace to be more in line with VGA and council expectations. The VGA also confirmed that it was expected that most councils will prefer Jemena to fund the accelerated LED rollout by the end of the 2026–31 regulatory period as a result of the proposed price difference between the council and Jemena funded tariffs.

Jemena also responded to our follow up information request to note that it was working closely with the VGA to refine the existing council-funded LED volumes. On 4 March 2026, it submitted its updated public lighting model to better reflect historical and forecast council-funded LED volumes (including fixing other modelling errors and minor changes that we, and it, had identified).[35] Our sensitivity analysis of Jemena's forecast LED volumes indicates only a marginal shift in prices if more councils decide to self-fund the LED rollout within the 2026–31 regulatory period.[36]

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30 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 13.

31 Jemena, *JEN – RP - Att 11-06M ACS Public lighting inputs model*, December 2025.

32 Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31,* January 2026, pp. 3-4.

33 Jemena, *response to information request #068 – follow up questions for public lighting - public*, February 2026.

34 Jemena, *response to information request #068 – follow up questions for public lighting - public*, February 2026.

35 Jemena, *response to information request #080 – Jemena updated public lighting models - confidential*, March 2026.

36 We sensitivity tested the impact of LED volumes moving from DNSP-funded to council-funded. When we did this for 10% of total LED lights across the 2026–31 period and found this led to price decreases for both DNSP-funded and council-funded LED lights of less than 1%.

Jemena also maintained its approach to transfer the written down value of legacy lights to the RAB for energy-efficient lights (including LEDs) when the luminaire is replaced with a LED.[37] The price increase from this approach is relatively immaterial (less than 1%) compared to the price increase driven by the accelerated LED rollout.

We note that these changes resulted in a 31.2% price increase in Jemena funded 2026–27 LED prices from its current 2025–26 prices (compared to the 78.6% increase in its revised proposal). The 2026–27 price for council-funded LED tariff was also 25% lower than the price for its DNSP-funded LED lights.

We consider Jemena's updated revised proposal in relation to the accelerated LED rollout is reasonable. Jemena addressed our draft decision recommendations to further engage with stakeholders to determine councils' interest in funding the accelerated LED rollout over the next regulatory control period. Given councils' feedback that they have limited capital to fund the accelerated rollout, it is appropriate that Jemena fully funds the accelerated LED rollout.

Subsequent to its revised proposal, Jemena also engaged with the VGA and councils to address concerns raised around cross subsidisation where councils had already funded LED rollouts. In this regard, it is appropriate that Jemena reintroduced the council-funded LED tariff, to reflect existing LED volumes. We consider this sufficiently removes cross-subsidisation issue so councils who have previously fully funded their LEDs rollouts will not be subsiding the costs of the LED rollout for other councils.

14.2.4.4 Smart lighting

We consider Jemena's updated revised proposal for its smart lighting reasonable. Jemena sufficiently engaged with its customers to develop its volumes for smart cells and demonstrated why an on-premises smart lighting solution is more efficient than a cloud-based solution. Additionally, we consider Jemena's proposed costs for its smart controller (with embedded type 9 meter) is reasonable as it benchmarks well against the other Victorian DNSPs.

Volume of smart cells

Jemena agreed with our draft decision to reduce the volume of smart cells deployed in response to stakeholders' feedback.[38] The VGA stated in response to Jemena's initial proposal that while installing smart cells in major roads is financially viable, this is not the case for minor/residential roads. The VGA considered that approximately only 10% of minor roads should have smart cells installed.[39] In its updated public lighting model, Jemena made minor adjustments to its smart cell volume deployed (from 33,454 to 30,842) due to volume

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37 See 'Supporting Information' worksheet in AER, *AER – Att 11-05M ACS Public lighting model – PUBLIC - Final Decision - Jemena distribution determination 2026-31,* April 2026.

38 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 8.

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

changes in the inputs model reflecting the updates made as in relation to the accelerated LED rollout.[40]

We consider Jemena's proposed volumes of deployed smart cells reasonable, including the updates it made, as it broadly aligns with the VGA's preference to install smart cells on all major road lights and approximately 10% of minor roads.

On premise smart lighting solution

Jemena proposed to implement a smart lighting on-premises solution rather than what was in its initial proposal to implement a cloud-based solution (both solutions include a central management system). Jemena noted that while the on-premises solution will incur perpetual licence capex, it will pay a lower unit opex cost for each smart cell deployed.[41] Jemena stated the on-premises solution offers full control over data storage, access and encryption, therefore providing higher data security and confidentially.[42] Additionally, Jemena provided a cost analysis demonstrating that the on-premises smart lighting is more cost-effective over the ten year period 2026–36.[43]

Jemena also included program development cost in its revised proposal to cover the labour cost to plan, manage and deliver the smart lighting rollout. Jemena stated the rollout of smart cells is a new activity which introduces complexity in integrating technology and engaging with stakeholders.[44] Jemena considered a dedicated half FTE is essential to mitigate risks and ensure timely delivery of the smart lighting rollout and is an incremental change to its existing smart meter operations.[45]

We consider Jemena demonstrated that the on-premises solution is more cost effective than its initially proposed cloud-based solution. We also consider Jemena's proposed smart lighting inputs (i.e. program development costs) are appropriate and are similar to the cost inputs provided by the other Victorian DNSPs.

Smart controllers including type 9 meters

In its revised proposal, Jemena maintained its unit price for its smart controllers from its initial proposal. Jemena stated that based on the quotes it received from its request for quote in September 2025, it was confident that its smart controller costs remained competitive.[46]

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40 Jemena, *response to information request #056 – follow up questions for public lighting*, January 2026, AER, *Att 11-05M ACS Public lighting model - Final Decision - Jemena distribution determination 2026-31*,-April 2026.

41 Jemena, *response to information request #056 – follow up questions for public lighting - confidential*, January 2026.

42 Jemena, *response to information request #056 – follow up questions for public lighting - confidential*, January 2026.

43 Jemena, *response to information request #056 – follow up questions for public lighting - confidential*, January 2026.

44 Jemena, *response to information request #056 – follow up questions for public lighting - confidential*, January 2026.

45 Jemena, *response to information request #056 – follow up questions for public lighting - confidential*, January 2026.

46 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 8.

Additionally, Jemena clarified that the proposed cost of the type 9 control device (embedded in cost of the smart controller / SLV smart cell) is recovered through the proposed public lighting charges.[47]

In its submission to the AER, the VGA noted the evolving rules and obligations in relation to type 9 meters.[48] It considered that it is in the interests of public lighting customers that all Victorian DNSPs are able to offer type 9 metering services to customers. Additionally, the VGA stated the costs of establishing DNSP systems should not be solely allocated to the public lighting costs, as they consider type 9 metering supports a range of services in addition to public lighting. The VGA also noted the current structure of tariffs associated with smart lighting has been negotiated with customers and requested the AER did not make significant changes to smart lighting or type 9 tariff structures without further consultation with customers.

We consider Jemena's unit cost for its smart controller are reasonable as Jemena provided sufficient evidence to justify its smart controller costs in the draft decision[49], which are similar to the controller costs proposed by other Victorian DNSPs.

We also note that our final decision is to classify type 9 metering services as alternative control services (see our decision in section 11.3.2 of Attachment 11 – Service Classification). Given this, we consider the type 9 metering costs proposed by Jemena are appropriately included in the public lighting costs, should be reflected in public lighting prices and under the public lighting price cap control mechanism.

14.2.4.5 Opt-in smart lighting charge for minor / residential roads

We consider Jemena's updated revised proposal 'opt-in smart lighting' charge for minor / residential roads is reasonable as we agree with Jemena's calculations to derive the charge, and the proposed prices are comparable with AusNet's proposed price for a similar service.

Jemena's revised proposal did not include an 'opt-in smart lighting' charge for minor / residential roads.

In its submission, the VGA considered that Jemena should provide separate 'opt-in smart lighting' tariffs (for both Jemena funded and council-funded LED lights) for its minor / residential roads LED lighting types.[50] The VGA stated that there is no financial benefit installing smart lighting on minor / residential roads and considered that only the councils who requested smart lighting in its residential areas should pay for this service. The VGA noted that by creating a separate 'opt-in smart lighting' tariff, councils can choose whether they want to adopt while eliminating any cross subsidisation from councils who do not choose this service. The VGA observed that AusNet had proposed this tariff in its revised

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47 Jemena, *response to information request #068 – follow up questions for public lighting - public*, February 2026.

48 Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31,* January 2026, p. 2.

49 AER, *Attachment 14 - Alternative control services - Draft decision - Jemena distribution determination 2026-31,* September 2025, pp. 20-21.

50 Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31,* January 2026, p. 3.

proposal for its public lighting service. Under Jemena's original revised proposal, the smart lighting costs for minor roads were shared between all LED lights.

The VGA also noted that it understood Jemena were willing introducing its own 'opt-in smart lighting' tariff for both Jemena funded and council-funded LED lights.[51]

Following its revised proposal, and this feedback from the VGA, Jemena indicated it would revise its public lighting models and offer LED tariffs for minor / residential roads, with and without smart lighting costs, for both Jemena funded and council-funds lights.[52]

Jemena provided an updated public lighting model for the 2026–31 period which included the 'opt-in smart lighting' tariff for Jemena funded and council-funded residential lights (LED 18W).[53] Jemena derived this charge by removing its smart lighting control devices and implementation costs from the cost build up for the LED 18W charge (LED tariff for residential roads) for both Jemena funded and council funded LED tariffs.[54] Table 14.1 summarises Jemena's LED 18W prices with and without smart lighting.

Table 14.1 Price comparison of Jemena's proposed residential prices for its LED 18W tariff with smart lighting (opt-in charge) and LED 18W without smart lighting costs ($2026–27)

Tariff type	LED 18W with smart lighting (Opt-in)	LED 18W without smart lighting	Price difference (%)
Jemena funded	$51.87	$44.09	-15.0%
Council funded	$38.90	$36.31	-6.7%

We consider Jemena's 'opt-in smart lighting' charge (and subsequently its LED 18W without smart lighting tariff) reasonable. We note Jemena sufficiently addressed stakeholders' recommendations to separate the smart lighting costs from its residential LED lights to develop two tariff types for its LED 18W lights: with and without smart lighting costs.

We also consider Jemena's approach to calculate its residential LED 18W tariffs (with and without smart lighting costs) reasonable. By having two separate LED 18W prices, customers have the option to choose whether to 'opt-in' to install smart lighting for its residential roads and removes any cross subsidisation from councils who do not choose this service. We also note that Jemena's 'opt-in smart lighting' price is similar to AusNet's proposed price for its 'opt-in smart lighting' price.

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51 Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31,* January 2026, p. 3.

52 Jemena, *response to information request #068 – follow up questions for public lighting - public*, February 2026.

53 Jemena, *response to information request #068 – follow up questions for public lighting - public*, February 2026.

54 See cells J140:K141 in 'Supporting information' worksheet under AER, *Att 11-05M ACS Public lighting model - Final Decision - Jemena distribution determination 2026-31,* April 2026.

14.2.4.6 Bracket unit costs and replacement volumes

We consider Jemena's proposed bracket costs and replacement volumes reasonable, as these costs benchmark well against other Victorian DNSPs, and Jemena also provided sufficient evidence to support these costs.

In its revised proposal, Jemena included its bracket replacement costs that it inadvertently omitted in its initial proposal. It also updated its bracket replacement volumes as it anticipated a step change from its current volumes due to the LED accelerated rollout (from 78 brackets in 2025–26 to 87 brackets in 2026–27).[55] In response to an information request, Jemena also provided a breakdown of its bracket costs and historical costs from its suppliers.[56] Jemena also noted an increasing historical trend in its bracket replacement volumes for both residential and major road lights from 2022–23 to 2025–26, driven by ongoing lantern replacements.[57]

Our analysis shows that Jemena's unit bracket costs are slightly higher compared to the other Victorian DNSPs but still benchmark relatively well. We also consider Jemena has provided sufficient information to support its bracket unit costs (historical costs and procurement process). Additionally, we consider Jemena's bracket replacement volumes are reasonable, including the proposed increase due to the accelerated LED rollout.

14.2.4.7 Pole inspection rate

We do not consider Jemena's proposed pole inspection rate is reasonable as we do not consider Jemena's method for its pole inspection is efficient and not in accordance with good industry practice. Our final decision is to maintain our draft decision and set Jemena's pole inspection rate at 68 inspections per day for public lighting.

In its revised proposal, Jemena did not accept our draft decision to set its inspection rate at 68 poles per day as a placeholder (as per CitiPower and United Energy's inspection rate). Jemena proposed to maintain its pole inspection rate at 30 inspections per day as per its initial proposal.[58]

Jemena stated that its pole inspections often require ladder use, working at heights and frequent driving between sites. Jemena emphasised that by compressing 68 inspections into one day will significantly increase the risk of injury – due to rushed movements, fatigue and compromised situational awareness. Additionally rushing through inspection task may also result in missed defects and incomplete records, which undermines asset management and public safety.[59] Jemena provided a breakdown of tasks conducted and time taken to conduct its pole inspection for standard urban and frangible steel poles.[60]

Jemena also encouraged the AER to seek out further clarification from the other Victorian DNSPs on how they derive its pole inspection rate (to remain consistent with our Expenditure

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55 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 12.

56 Jemena, *response to information request #056 – follow up questions for public lighting - confidential*, January 2026.

57 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p. 12.

58 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p.10.

59 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p.10.

60 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p.11.

Assessment Guideline). Jemena considered a simple benchmark does not capture operational efficiency in the context of Jemena's business operations.[61]

We do not accept Jemena's explanation that pole inspections often require ladder use to inspect the pole is efficient. We consider that good industry practise does not require climbing the pole to inspect streetlights but a ground-based inspection using image stabilised binoculars. We consider that it should on average take 5 minutes for Jemena to complete ground-based inspection for public lighting poles, excluding travel time. We note this time is also generally consistent with CPU and AusNet's proposed times in their responses from our information requests.

We also consider Jemena's proposed travel time of 5 minutes for each pole is excessive. Given the average distance between streetlights is typically between 40 meters to 60 meters, the travel time should be approximately 1 to 2 minutes (based on an average walking speed of 4km/hr) excluding vehicle travel time. We note this is consistent with AusNet proposed travel time for its pole inspection service (in its response to our information request).[62]

Taking into account the above factors, we consider Jemena's inspection time for a street light pole should be between 6 to 8 minutes per pole. Therefore, our final decision is to maintain our draft decision position to set Jemena's pole inspection rate as 68 poles per day.

14.2.4.8 Updates for more mechanical issues

We have updated the following inputs in Jemena's public lighting models. These updates are consistent with our final decision on other relevant aspects of Jemena's revised proposal.

Rate of return

Our final decision substitutes the rate of return inputs in Jemena's updated revised proposal public lighting models to be consistent with our final decision on Jemena's rate of return (see section 2.2 of the Overview).

Inflation

Our final decision substitutes the forecast inflation input for the 2026–27 year in Jemena's updated revised proposal public lighting models with the ABS actual inflation for December 2025, consistent with our final decision on Jemena's control mechanisms (see Attachment 12).

Labour escalators

Our final decision substitutes the labour price growth forecasts in Jemena's updated revised proposal public lighting model to be consistent with our final decision on Jemena's opex (see Attachment 3).

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61 Jemena, *JEN - RP - Att 11-01 Alternative control services*, December 2025, p.10.

62 AusNet, *response to information request #056 – Public Lighting (Partially funded, Poles and brackets and unit rates) and ANS (Type 9-meter data service) - confidential*, January 2026.

14.2.4.9 Introducing new services during a regulatory control period

Our final decision is that Jemena must price any new public lighting services (that are the same or similar to existing 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 consultation and 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 distributor 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
AER	Australian Energy Regulator
ANS	Ancillary network services
API	Application programming interface
Capex	capital expenditure
CMS	Central management system
CPI	Consumer Price Index
CPU	CitiPower, Powercor and United Energy
DNSP	distribution network service provider
EPV	Elevated platform vehicle
ESCV	Essential Services Commission Victoria
F&A	Framework and approach
HPS	High pressure sodium
LED	Light emitting diode
NEL	National electricity law
NEM	National electricity market
NER or the rules	National electricity rules
Opex	Operating and maintenance expenditure
PE cell	Photoelectric cell
PTRM	Post-Tax-Revenue-Model
RAB	Regulatory asset base
RBA	Reserve Bank of Australia
RIN	Regulatory information notice
VGA	Victorian Greenhouse Alliances
WACC	Weighted average cost of capital