



Jemena Electricity Networks (Vic) Ltd

Response to the Price Reset Regulatory Information Notice

Written Response

Information for the 2021-2026 Regulatory RIN



35. Compliance with section 71YA of the NEL

35.1 Where any expenditure or cost has been incurred or is forecast to be incurred by Jemena, as a result of or incidental to a review under Division 3A – *Merits review and other non-judicial review – of the NEL*, Jemena must identify the expenditure or cost and provide a statement attesting that:

During the 2016-20 regulatory control period (**current regulatory period**), Jemena incurred expenses relating to merits review as defined in section 71YA of the NEL. These costs were incurred in the regulatory years 2016, 2017 and 2018. A summary of the costs is outlined in table **Error! Reference source not found.**

Table 35–1: Summary of merits review costs

	2016	2017	2018
Costs relating to merits review	\$718,182	\$123,058	\$1,195

JEN does not forecast any costs beyond those noted in Table 35–1 given access to merits review is no longer available.

(a) *Jemena* has not included any of that expenditure or cost, or any part of that expenditure or cost, in the capital or operating expenditures contained in its *regulatory proposal*; and

Jemena has treated these costs as ‘unregulated’ when reporting in the annual Regulatory Information Notice (**RIN**) responses. By treating these costs as unregulated, the costs are not reported as a part of the standard control services (**SCS**):

- operating expenditure, and therefore:
 - do not form a part of the base year (2018) which is used to project the operating expenditure allowance sought in the 2021-26 regulatory control period (**next regulatory period**), and
 - are not included in the Efficiency Benefits Sharing Scheme (**EBSS**) calculations. By not including these amount in the EBSS calculation for the current regulatory period, they do not feature in the building block model in the next regulatory period.
- capital expenditure, and therefore:
 - do not form a part of the historical unit rates that are used in developing the capital expenditure bottom-up build models in the next regulatory period, and
 - are not included the Capital Expenditure Sharing Scheme (**CESS**) calculations. By not including these amount in the CESS calculation for the current regulatory period, they do not feature in the building block model in the next regulatory period.

Given this treatment, Jemena has not incorporated the recovery of costs related to merits review in the 2021-26 building block proposal.

(b) *Jemena* has not recovered any of that expenditure or cost, or any part of that expenditure or cost, from end users; and

Jemena has not issued bills to end users—directly or through retailers—seeking to recover those merits review costs identified above.

- (c) *Jemena* has not sought to pass through any of that expenditure or cost, or any part of that expenditure or cost, to end users.

Jemena has not sought a cost pass through during the current regulatory period, and therefore, has not sought recovery of costs identified in the table above.

35.2 Where no expenditure or cost has been incurred or is forecast to be incurred by *Jemena*, as a result of or incidental to a review under Division 3A – *Merits review and other non-judicial review – of the NEL*, *Jemena* must provide a statement attesting that:

- (i) No such expenditure or cost has been incurred or is forecast to be incurred.

We cannot respond to question 35.2 given the affirmative response to question 35.1. Despite this, JEN does not forecast any costs beyond those noted in Table 35–1 given access to merits review is no longer available.