



Jemena Electricity Networks (Vic) Ltd

Response to the Price Reset Regulatory Information Notice

Written Response

Information for the 2021-2026 Regulatory RIN



6. Connections Expenditure

6.1 Provide and describe the methodology and assumptions used to prepare the forecasts of *connection* works including:

- (a) Estimation of *connection* unit costs for each customer type; and
- (b) *Connection* volumes for each *customer* type.

6.1

Refer to response in 16.1(b) for JEN's methodology and assumptions used to prepare the forecasts of connection works including expenditure and connection volumes for each customer type.

6.1 (a) & (b)

As JEN's connection forecast is made at the IT System service code level (or MAT code level), no separate forecast on connection unit cost by customer type has been undertaken. However, an implied unit cost can be calculated from the output of JEN's forecast methodology as detailed in *JEN - RIN - Support - ELE PR 0019 Connection forecast methodology paper - 20200131 - Confidential*.

Note: Unit cost based forecast = unit cost (customer type) x volume (customer type) x applicable volume growth rate

- The table below summarises the base unit costs in calendar year 2018 (as submitted in the annual RIN reporting process).
- The forecast unit costs for each financial year (\$ per connection) are derived from the model output using the methodology described above.
- The subcategory/classification of "Commercial/ Industrial – Complex Connection HV (customer connected at HV)" is based on trending using the methodology described above and individual forecast projects.
- The subcategory/classification of "Commercial/ Industrial – Complex Connection Sub-Transmission", is based on individual forecast projects.
- All other customer types and connection classifications unit costs for the forthcoming regulatory period are assumed to be constant (in real terms) and in-line with the 2018 historical unit rates.

CONNECTION SUBCATEGORY	CONNECTION CLASSIFICATION	Base Year, Unit Cost (\$'0s, nominal)	Base Year, Unit Cost (\$'0s, real June 2021)	Forecast Unit Costs (\$'0s, real June 2021)				
All Connections		CY18	CY18	FY22	FY23	FY24	FY25	FY26
RESIDENTIAL	Simple connection LV	1,808	1,908	1,910	1,910	1,911	1,912	1,912
	Complex connection LV	-	-	-	-	-	-	-
	Complex connection HV	-	-	-	-	-	-	-
COMMERCIAL/ INDUSTRIAL	Simple connection LV	47,012	49,592	50,095	50,283	50,420	50,569	50,816
	Complex connection HV (customer connected at LV, minor HV works)	73,109	77,123	77,904	78,197	78,410	78,641	79,025
	Complex connection HV (customer connected at LV, upstream asset works)	111,324	117,435	118,625	119,071	119,396	119,747	120,332
	Complex connection HV (customer connected at HV)	1,206,912	1,273,165	4,980,702	2,517,875	2,000,582	249,015	250,230
	Complex connection sub-transmission	2,054,466	2,167,244	-	-	-	3,594,077	1,805,811
SUBDIVISION	Complex connection LV	4,759	5,020	5,045	5,051	5,058	5,065	5,072
	Complex connection HV (no upstream asset works)	3,892	4,106	4,126	4,131	4,137	4,142	4,148
	Complex connection HV (with upstream asset works)	-	-	-	-	-	-	-
EMBEDDED GENERATION	Simple connection LV	-	-	-	-	-	-	-
	Complex connection HV (small capacity)	-	-	-	-	-	-	-
	Complex connection HV (large capacity)	-	-	-	-	-	-	-

6.2 *Jemena* must provide its estimation of *customer contributions* based upon the estimated life and revenue to be recovered from *connection assets*, including:

- (a) the expected life of the *connection*;
- (b) the *average* consumption expected by the *customer* over the life of the *connection*; and
- (c) any other factors that influence the expected recovery of the *Jemena network* use of system charge to *customers*.

6.2

JEN uses a customer contribution model to determine the amount of the capital contributions required. The customer contribution model is developed in line with the requirements of Victorian Guideline 14.

To forecast customer contributions, we look at the historical outputs of the customer contribution model and adjust them for known change events that will take place in the next regulatory period.

6.2 (a)

Based on the requirements of the Guideline 14, the expected life of a connection is 30 years for residential customers and 15 years for business customers. JEN does not anticipate any changes for the expected life of the connection in the next regulatory period.

6.2 (b)

Average consumption for residential customers is based on an average consumption profile of residential customers in JEN's network. Average consumption for business customers is estimated based on the maximum demand and the connection characteristics as per the connection application submitted by customers. JEN does not anticipate any changes for the average consumption expected by the customer over the life of the connection.

6.2 (c)

A further key factor that influences the expected recovery of the distribution network use of system charges is the allowed X-factors. As customer contributions are calculated as Incremental Costs of the connection less Incremental Revenues, X-factors (which drive revenue calculations) have a significant effect on the amount of customer contributions.