



# Jemena Electricity Networks (Vic) Ltd

## Response to the Price Reset Regulatory Information Notice

Written Response

Information for the 2021-2026 Regulatory RIN



## 32. Transitional Issues

32.1 Provide information on transitional issues (expressly identified in the *NER* or otherwise) which *Jemena* expects will have a material impact on it and should be considered by the *AER* in making its *distribution determination*. For each issue, set out the following information:

(a) the transitional issue;

A key transitional issue that materially impacts the outcomes of this price review process is the change of the regulatory year from a calendar year (**CY**) to a financial year (**FY**).

(b) what has caused the transitional issue;

On 12 April 2019, the Victorian Minister for Energy, Environment and Climate Change (**Minister**) wrote to the Victorian DNSPs and the AER, announcing a policy to change the regulatory control period to align with a FY end, rather than CY, with the change to take effect from 1 July 2021. The change to the regulatory cycle was proposed to occur by providing a six month extension to the current regulatory period which ends 30 December 2020. Whilst the Victorian Government intends to formalise the policy change by legislative amendment, this is not expected to occur until early 2020.<sup>1</sup>

(c) how the transitional issue impacts on *Jemena*; and

The AER's most recent price determination set JEN's revenue requirement for the period commencing 1 January 2015 to 30 December 2020 (**current regulatory period**). Each of the other Victorian Distribution Network Service Providers (**DNSPs**) adhere to the same five-year CY regulatory cycle. The next five-year regulatory period for Victorian DNSPs would ordinarily commence 1 January 2021, with initial regulatory proposals due on 31 July 2019.<sup>2</sup>

As a result of Victorian Government policy change, the regulatory cycle applicable to Victorian DNSPs will be changing from a CY to financial year (**FY**) basis commencing 1 July 2021 to 30 June 2026 (**next regulatory period**). This change impacts the regulatory determination process applicable to Victorian DNSPs and the AER as a result of the 6-month gap (from 1 January 2021 to 30 June 2021) between the end of the current regulatory period and the commencement of the next regulatory period (**intervening period**).

(d) *how Jemena* considers the transitional issue could be addressed.

To give effect to the revised timings for the next Victorian regulatory reset, and in the absence of the required legislative change:

- the Victorian DNSPs and the AER agreed a delayed timetable for submission of regulatory proposals relating to the next regulatory period, with regulatory proposals due on 31 January 2020.<sup>3</sup>
- the AER advised on the approach to be taken to establishing the revenue requirement over the intervening period involving a simple trended-forward methodology.<sup>4</sup>

<sup>1</sup> Minister, *Changes to timing of annual Victorian network price updates*, 30 October, 2019.

<sup>2</sup> Under cl 6.8.2(b) of the *NER*, a regulatory proposal must be submitted at least 17 months before the expiry of the DNSP's distribution determination.

<sup>3</sup> AER, *Victorian Government intention to change the electricity distribution regulatory year from a calendar to financial year*, 30 May 2019.

<sup>4</sup> AER, *Victorian Distribution Reset Timing – Proposed interim measures*, 6 November 2019.