



# Jemena Electricity Networks (Vic) Ltd

## Response to the Price Reset Regulatory Information Notice

Written Response

Information for the 2021-2026 Regulatory RIN



## 22– Proposed Tariff Structure Statement

22.1 Provide the model(s) used to calculate the long run marginal cost estimates in Jemena’s proposed tariff structure statement provided in accordance with the requirements of clauses 6.18.1A(a)(5) and 6.18.5(f) of the NER.

JEN's long run marginal cost (**LRMC**) model is provided at Attachment 08-03 'Long run marginal cost model - 20200131 – Public'.

22.2 Provide and describe the methodology and assumptions used to prepare the long run marginal cost estimates in paragraph 22.1.

We describe the methodology within section 4 of our tariff structure statement provided at Attachment 08-01 'Tariff Structure Statement- 20200131 - Public'. Additional information on sources and assumptions used is provided with the LRMC model at Attachment 08-03 'Long run marginal cost model - 20200131 – Public'.

22.3 Describe the relationship between the expenditure, demand and other inputs (as appropriate) used in the model provided under paragraph 22.1 and the expenditure, demand and other forecasts (as appropriate) provided as part of the building block proposal for the forthcoming regulatory control period.

### Capital expenditure

The LRMC model sources capex data from Attachment 05-11 'Capex model - 20200131 - Public'. It uses direct escalated capital expenditure including overheads and removes capital contributions (i.e. the model uses net capex). As the capex model only has data to 2025-26, we have extended our forecast to 2028-29 via specific extrapolation methods for each capex category. These are described in column Q of the 'Capex calculations' tab of the LRMC model.

The LRMC model then selects a subset of net capex to use in its calculation of LRMC. It allocates connections and augmentation capex (with the associated overheads). The capex categories allocated are shown in column L of the 'Capex category mapping & alloc' tab of the LRMC model.

### Operating expenditure

The LRMC model uses an estimate of total opex of 4.34% of total capex. This is calculated in the 'Opex inputs' tab of the LRMC model based on historical RIN information and forecast opex.

The LRMC model uses this 4.34% proportion at the point of estimating “incremental opex”.<sup>1</sup> By comparison, the opex in table 7.7.2 of RIN Workbook 1 shows opex as 4.34% of total capex included in table 7.7.1. However, because the LRMC approach to apply this proportion to incremental capex, the amount in table 7.7.1 does not appear in the LRMC model.

### Demand

The LRMC model uses ACIL Allens’ demand forecast (see Attachment 05-03) as the basis for the demand forecast. Jemena has translated this into a demand forecast by tariff. The inputs to table 7.7.3 of RIN Workbook 1 are from the 'Demand inputs' tab of the LRMC model.

<sup>1</sup> Incremental opex for each year is calculated as 4.34% of “incremental capex” attributed to each tariff class in the 'LRMC estimation' tab.