



Jemena Electricity Networks (Vic) Ltd

2021-26 Electricity Distribution Price Review Regulatory Proposal

Attachment 07-03

Averaging periods



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Glossary

Intervening period	The six months between the end of the current regulatory period and beginning of the next regulatory period covering 1 Jan 2021 to 30 Jun 2021
Next regulatory period	The regulatory control period covering 1 July 2021 to 30 June 2026
Regulatory Proposal	2021-26 electricity distribution price review regulatory proposal
RoR Instrument	Rate of return Instrument published by the AER in December 2018

Abbreviations

AER	Australian Energy Regulator
EDPR	Electricity Distribution Price Review
JEN	Jemena Electricity Networks (Vic) Ltd

1. Proposed averaging periods for the 2021-26 EDPR period

1.1 Introduction

The Australian Energy Regulator's (AER) 2018 Rate of Return Instrument¹ (**RoR Instrument**) allows for Jemena Electricity Networks (Vic) Ltd (**JEN**) to nominate return on debt and return on equity averaging periods to apply to its regulatory proposal (**Regulatory Proposal**) for the regulatory control period covering from 1 July 2021 to 30 June 2026 (**next regulatory period**). We are also nominating averaging periods for the period from 1 January 2021 to 30 June 2021 (**intervening period**).

The return on debt and return on equity estimated as part of the Regulatory Proposal are placeholder estimates and will be replaced by the AER in its Final Decision for the next regulatory period using the market observations for the averaging periods nominated by JEN in this attachment.

1.2 Proposed return on debt averaging period

The below table provides the nominated return on debt averaging periods for JEN for the intervening period and for each year of the next regulatory period.

Table 1–1: Return on debt averaging periods

Period	Debt averaging period
1 Jan 2021 – 30 Jun 2021 (intervening period)	██████████
1 Jul 2021 – 30 Jun 2022	██████████
1 Jul 2022 – 30 Jun 2023	██████████
1 Jul 2023 – 30 Jun 2024	██████████
1 Jul 2024 – 30 Jun 2025	██████████
1 Jul 2025 – 30 Jun 2026	██████████

These nominated averaging periods satisfy the conditions specified in clause 24 of the Rate of Return Instrument as they:

- are of 10 or more consecutive business days, up to a maximum of 12 months
- start no earlier than 16 months prior to the commencement of a regulatory year
- finish no later than 4 months prior to the commencement of a regulatory year
- are specified for each regulatory year within the regulatory control period
- do not overlap for each different regulatory year
- are nominated both:
 - prior to the start of the return on debt averaging period, and
 - no later than the lodgement date of the regulatory proposal for the regulatory control period
- will allow annual updating of return on debt in the next regulatory period
- all the dates provided take place in future and are nominated on a confidential basis.

¹ AER, *Rate of return instrument*, December 2018.

1.3 Return on equity averaging period

JEN proposes an averaging period for the return on equity for the intervening period to be the consecutive business days from [REDACTED]

For the next regulatory period, the averaging period is to be the consecutive business days from [REDACTED]. This period will replace the placeholder averaging period set out in Attachment 7-02 *Rate of return*.

These nominated averaging periods satisfy the conditions specified in clause 8 of the Rate of Return Instrument as they:

- cover a period of 20 or more business days up to a maximum of 60 business days
- start no earlier than 7 months prior to the commencement of the regulatory control period
- finish no later than 3 months prior to the commencement of the regulatory control period, and
- are nominated both:
 - prior to the start of the risk-free rate averaging period, and
 - no later than the date of lodgement of the regulatory proposal for the regulatory control period.