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By email: expenditure@aer.gov.au

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Matthew Le Cornu
Analyst, Network Regulation
Level 20, 175 Pitt St
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Dear Matthew,

**Economic benchmarking questions**

Jemena Limited (**Jemena**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER's**) emails of 5 August 2013 and 9 August 2013, requesting comment on the revised draft economic benchmarking data templates. Jemena has only commented on the template for electricity distributors. We have no comments on the template for transmission businesses. Jemena appreciates the short extension to the submission deadline provided by the AER.

Jemena owns two regulated network businesses: Jemena Gas Networks (NSW) Limited (**JGN**) and Jemena Electricity Networks (Vic) Limited (**JEN**). Jemena also has ownership interests in the United Energy electricity distribution business in Victoria (34%) and the ActewAGL gas and electricity distribution partnership in the ACT (50%). Accordingly, Jemena has a significant interest in the content of the expenditure forecast assessment guidelines.

**Comments previously provided**

On 28 June, Jemena provided the AER with a range of comments on an earlier draft of the template. Some of those comments do not appear to have been addressed in the revised draft and are repeated below.

Jemena is concerned that back casting of some data for 10 years may not be possible, given the information that our electricity distribution business, JEN, has stored. JEN can confirm that the following historical data is not available:

1. Breakdown of revenue sourced from Contracted vs. Measured Maximum Demand charges—JEN does not record this break down.

2. Revenue (penalties) allowed (deducted) through incentive schemes—JEN does not split the impact of incentive schemes by individual tariff, the impact is assessed in determining the overall weighted average price cap constraint only. That price constraint is then disaggregated through different increments to individual tariff classes. Therefore it is not possible to calculate the exact

amount of revenue increment or decrement that results from the impact of the incentive scheme.

Jemena also has the following comments:

1. Under defenitions—"Energy received into the DNSP network as measured at supply points from the TNSP"—AEMO charges Jemena for TUoS charges based on total energy rather than peak, off peak and shoulder. Therefore the data can only be provided as a total rather than being split into peak, off peak and shoulder.

2. No guidance is currently provided on where revenue from sub-transmission customers should be reported. The AER should make this clear.

3. Splitting revenue by "generally from those with personal residential use, or on LV demand tariffs, or on HV demand tariffs"—Such a split fails to recognise that JEN has many commercial customers on demand tariffs, who are not industrial customers. These customers include universities, supermarkets, shopping centres, libraries, etc. Such a split could misrepresent the customer mix and how that mix drives costs, if this data were to be used for benchmarking.

4. "Energy grouping – Customer type or class"—the comment above also applies here.


**Additional comments**

***General comment***

JEN notes that accurate back casting of financial data is only possible where such data has historically been collected in some form. The main source of historical financial data is the statutory accounts. However, statutory information is only required to be kept for 7 years. JEN has also been the subject of significant merger and acquisition activity over the last 10 years, which has resulted in some data being lost, as well as frequent changes to how data is recorded and stored.

JEN will therefore largely rely on previous Regulatory Accounts and RIN responses provided to the AER as the sources for the data that needs to be back cast. Where data was not collected for statutory accounting, regulatory accounting or RIN purposes, it is unlikely to be available in a 10 year historical time series.

***Regulatory Asset Base***

JEN has spent some time analysing its historical data in an attempt to back cast or estimate the Regulatory Asset Base values required in worksheet "4. Assets (RAB)". JEN is now certain that it does not have sufficient information to back cast or meaningfully estimate the type of break downs requested by the AER.

Historically, JEN's RAB has been calculated at a much higher level. JEN's statutory asset and capital contribution information is insufficient to replicate or estimate the RAB break downs required. JEN did not collect and maintain such detailed information, as such detail has never before been required or useful for regulatory or statutory purposes. In JEN's view, the only way to produce an estimate would be to use a set of arbitrary allocation assumptions.

If the AER considers that this information needs to be produced, it should put forward a consistent set of assumptions to be used by all distributors and consult on those assumptions. Given the arbitrary nature of any such assumptions, however, JEN believes that no value should be placed on any analysis that uses such RAB break-downs as a material input.

### Network services definition

It is not clear what the intended difference is between "Network Services" and the various service classifications is. On the face of it, "Network Services" could potentially include all of Standard Control Services (**SCS**), some Alternative Control Services (**ACS**) (such as public lighting) and most of Advanced Metering Infrastructure services. The AER should clarify this relationship and, if possible, provide a cross-mapping of the service classifications that it believes fall into the "Network Services" definition.

### Alternative Control Services Revenue

Template "2. Revenue" requires a break down of ACS revenue by a range of row headings, none of which appear to have any relevance to ACS. The rows are relevant to SCS only.

### MVA capacity

JEN is not in a position to provide MVA capacity split by underground and overhead assets—JEN only has this information by circuit, which combines overhead and underground assets.


If you wish to discuss this submission please contact me on (03) 8544 9036 or at anton.murashev@jemena.com.au.


Yours sincerely,



**Anton Murashev**
Manager Asset Regulation and Strategy