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7 May 2015

Via online submission

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

ERC0175: Aligning network and retail tariff structures for small customers

Jemena Electricity Networks (**JEN**) welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC's**) consultation paper on the 'Aligning network and retail tariff structures for small customers' rule change request (**proposed rule change**).

JEN delivers electricity to approximately 320,000 homes and businesses in north-west Melbourne. JEN would be directly impacted by the implementation of this rule change and therefore we have a strong interest.

There are two key purported deficiencies in the National Electricity Rules (**NER**) the proposed rule change seeks to address:

1. Potential negative customer impacts of transitioning to cost-reflective network tariffs

2. The potential risk premium retailers might add to account for difference in network and retail tariff structures were a jurisdiction to mandate retail tariff structures.

The AEMC should not make further network tariff rule changes at this time

The rule change is not required, and will not contribute to the National Electricity Objective (**NEO**) because:

- The proposed rule would not support cost-reflective prices as it could result in network tariff structures that are not cost-reflective.

- The AEMC considered (and made) rules to facilitate tariff reform in 2014—the NER now ensures that network tariffs should be reflective of the forward looking costs of providing network services (that is, they should be cost-reflective). This promotes consumption at times where the marginal benefit of that consumption outweighs the marginal cost associated with building network to facilitate the consumption. The proposed rule change would move away from this important allocative efficiency principle that underpins the new pricing rules.

- In-depth consideration of customer impacts (including in transition to cost-reflective tariffs) is already a key component of the NER that network businesses are now putting into practice (refer to our example below of putting this into practice for our 2016-20 regulatory proposal).

- Customer choice at the network level is not required to have customer choice at the retail level—a competitive retail market should provide the products and services that customers want irrespective of network tariffs. This may result in an efficient outcome where customers who choose a tariff that is not cost-reflective face a premium for retailers to provide it.

- State government intervention to mandate retail tariff structures may itself cause a risk premium to be included retail tariffs, which seems contrary to the purpose of the rule change.

We support cost-reflective prices and empowered customers

We support efforts to ensure network revenues and prices better reflect the costs of providing services to our customers. Our customers are currently paying for advanced metering infrastructure (**AMI**) and we are committed to ensuring customers can benefit from this investment. More cost-reflective network prices will encourage more informed energy decision making by our customers and has the potential to lower network costs to all customers.

We also support efforts to empower customers to participate in the regulatory process—both as part of the development and submission of our network proposals and as part of the Australian Energy Regulator's (**AER**'s) decision-making. This is particularly important as efforts to move prices to more cost-reflective structures is likely to mean changes to the way many customers are charged for use of our network.

We are a long way down the tariff reform journey and the current rules should be given a chance to work

As the Senior Committee of Officials (**SCO**) noted in the rule change request and summarised in the AEMC's consultation paper, the electricity industry has already completed a lot of work on network tariffs, through the AEMC's power of choice review, and the Distribution Network Pricing Arrangements rule change (**2014 rule**)[1].

In its Energy White Paper, the Council of Australian Governments (**COAG**) has also endorsed the benefits of cost-reflective pricing at the centre of the 2014 rule. The paper noted:[2]

> *'Cost-reflective electricity tariffs give consumers better price signals about how they use energy. Consumers will increasingly be charged according to what it costs to supply energy at the time they use it.*
>
> *Price signals discourage use during peak times, when energy is most costly to deliver, taking pressure off the network and reducing network costs, which are around half of the total electricity bill.'*

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1 AEMC, *Distribution Network Pricing Arrangements*, Final determination, 27 November 2014.
2 Australian Government department of Industries and Science–*Energy white paper – at a glance*, April 2015, p. 8.

The 2014 rule reinforced cost-reflective pricing into the pricing principles of the NER, but did this with specific account for customer impacts. This rule was thoroughly tested, engaged upon, and network businesses are now giving effect to it. The NER provides network businesses the incentives to price in an economically efficient manner and consider customer impacts when transitioning our tariffs to more cost-reflective levels. How network businesses apply these rules is overseen by the AER.

In making its rule determination, the AEMC should consider that the proposed rule was submitted prior to finalising the 2014 rule and that the SCO did not have the benefit of observing the final rule or evidence of it in operation. We urge the AEMC to give these new arrangements a chance to work, taking a watching brief, before considering any need to make further rule adjustments.

In addition, network businesses have undertaken substantial customer engagement to date to give effect to the new pricing principles and network pricing objective. This means it would be an inopportune time to make the proposed rule change, as there is no clear way to cohesively incorporate such a change without cost to network businesses, causing confusion and engagement fatigue for customers and stakeholders.

The NER is working to manage transition and customer impacts—JEN example

We note SCO's concern in the rule change proposal that:[3]

> *'the transition to more efficient pricing structures as smart meters are rolled out will benefit consumers in the long run, but some individual groups of consumers are likely to be worse off in the short term as cross subsidies are unwound. Managing the transition in a way that enables consumers to adjust to new arrangements will be important for customer acceptance'*

We consider that our approach is evidence of the current rules addressing this precise concern. As we submitted our regulatory proposal for the 2016-20 period on 30 April 2015, we have put the 2014 rule into practice.

Our draft Tariff Structure Statement (**TSS**) outlines our detailed approach to meeting the pricing principles and network pricing objective.[4] This includes how we have addressed the customer impact principles[5] and engaged with customers and stakeholders.[6] We summarise our approach below, demonstrating the strength of the 2014 rule to allow us to mitigate customer impacts after we have listened to and understood our customers' and stakeholders' preferences. This approach is subject to AER scrutiny and TSS approval.

Transition (NER 6.18.5(h))

- We engaged with customers and stakeholders on the introduction of a new monthly maximum demand tariff component (priced in $/kW) to residential and small business customer tariffs in 2018 under a restrained transition—this involved the monthly maximum demand tariff being set at 5% of cost-reflective

[3] COAG Energy Council's rule change request, 25 June 2014, pp. 6-7

[4] JEN, Regulatory Proposal, 1 January 2016 – 31 December 2020, Attachment 10-1 Draft Tariff Structure Statement, 30 April 2015, pp. 43-47.

[5] NER cl 6.18.5(h) and 6.18.5(i).

[6] JEN, Regulatory Proposal, 1 January 2016 – 31 December 2020, *Attachment 4-1 Our customer, stakeholder and community engagement*, 30 April 2015, refer box 4-3, pp. 41-42.

levels in 2018 and initially increasing in 5% increments, to be completed around 2030

- We outlined what cost-reflective tariffs would look like and then heard from customers and stakeholders that they wanted these sooner—we therefore looked at how we could accelerate our transition in a way that mitigated incremental customer impacts

- We considered accelerating the transition to set the monthly maximum demand tariff at 50% of cost-reflective levels in 2018 and then transitioning by a further 10% each year

- This meant that some customers would be better off in 2018 and some worse off—for those worse off in 2018, it is not by a significant amount for most customers[7]

- As we are proposing an overall price reduction for the 2016-20 regulatory period, we engaged with customers and stakeholders on focusing this price decrease in 2018, to offset the initial introduction of the demand charge—the impact of focusing the price reduction in 2018 means those who would be worse off become less worse off, and those who are better off become even better off[8]

- Customers and stakeholders supported our proposal and manner in which we considered and mitigated customer impacts.

Customer understanding and ability to respond (NER 6.18.5(i))

To support customer understanding, we kept things simple. This included:

- Adding the demand component to all (non-peak specific) tariffs

- Providing simple messages to customers about what they can do to save—i.e. to spread out their usage during peak periods

- Targeted communications (including through published fact sheets (refer Attachments A to C), our customer overview (refer Attachment D), energy forums and partnering with other stakeholders)

- Working with retailers, industry, government and other networks on how to engage and communicate tariff reform going forward.

We caution against changes that undermine innovation or economic efficiency

There are many potential tariff structures that network businesses could validly apply, potentially made up of tariff components included in Figure 1.

[7] Our analysis of our regulatory proposal impact on residential customer bills (excluding the impact of inflation) showed that over 98.5% of customers would be better off over the 2016-20 regulatory period, with less than 0.5% worse off by more than $50 and around 98% better off by more than $50. By comparison, 2018 would result in around 45% of customers better off and around 2.6% of customers worse off by more than $50 and 4.8% of customers better off by more than $50.

[8] Our analysis (based on pre-submission estimated revenue requirements) showed that this approach could mitigate the 2018 impact by around $20 per customer, mitigating our highest impacted customer cohort (a low demand, high consumption customer who makes up around 0.03% of our residential customer base) bill impact from a $75 increase to a $56 increase in 2018.

Best practice tariff structures for each network are likely to evolve when networks own their tariffs and are able to innovate. The AEMC supported this in determining the 2014 rule:[9]

> *it is important that DNSPs retain ownership of their network prices so that they face an incentive and obligation to set network prices that reflect the efficient costs of providing network services to consumers.*

The proposed rule change, which facilitates state government-mandated tariffs, would be a move away from network businesses owning their tariffs and sending pricing signals that promote the NEO.

Figure 1. Tariff component options for signalling the cost of using the network

In particular, it is unlikely that picking one mandated tariff structure to apply to all networks in a jurisdiction is going to find the right balance between cost-reflectivity and the customer-impact principle. Over time, best-practice tariff structures are likely to emerge, with the AER's role in approving networks TSS's potentially playing a role.

As shown in Figure 1, there is a spectrum of potential cost-reflective tariff components. Each move to the right on the spectrum needs to be considered in terms of the customer-impact principle transition and ability for customers to understand and respond to the tariff.

The Victorian government-led introduction of flexible pricing is an example of what can occur when network businesses are required to offer a particular tariff structure. The flexible tariff is an opt-in tariff option for Victorian residential and small business customers. It was introduced consistently across all networks to enable simplified customer communications. The rational for the design and onerous obligations to the tariff's design are contributing factors to the lack of success in the take up of the tariff.

The Victorian government has estimated that only around 6,000 customers (0.3% of residential customers) chose a flexible price in the first year following its introduction despite an extensive communications campaign. This leaves much of the potential collective benefits of AMI still to be realised. A more efficient approach is to allow network businesses to develop and deploy tariffs that maximise benefits to customers—as incentivised through the regulatory framework[10]—which would deliver greater benefits than that experienced under the flexible pricing regime in Victoria.

9 AEMC, *Distribution Network Pricing Arrangements*, Final determination, 27 November 2014, p. 16.
10 A revenue cap provides incentives for network businesses to avoid costs.

Concern about whether consumers have a choice of tariff is not a reason to restrict network businesses' ability to innovate and provide tariffs that are reflective of their network costs. Customer choice at the network level is not required to achieve choice at the retail level. Having cost-reflective network tariffs improves one element of the supply chain. Competitive retail markets can deliver choice (via retailer incentives to increase market share) to provide customers with products and services that customers want.

No risk premium benefits of the proposed rule change

The risk premium concern manifests if there is state government intervention to mandate retail tariff structures. Making the rule in the current environment, where there are no mandated retail tariff structures, results in no risk premium benefits from making the rule. Therefore, the proposed rule change cannot contribute to the NEO in relation to risk premium.

In the circumstance that there is a mandated retail tariff structure and the AEMC is considering who might be best placed to manage the risk, we agree with the AEMC's assessment,[11] noting that:

- Network businesses under a revenue cap will not have a revenue risk—customers would collectively bear the risk if networks are forced to offer a network tariff that is not cost-reflective. This is because it would be difficult for network businesses to forecast customers on the mandated tariff structure to be able to calculate a cost-reflective tariff. Tariffs that are not cost-reflective are ultimately a risk borne collectively by all customers as the associated benefits of cost-reflective prices are not realised.

- A working competitive retail market might be expected to have a risk premium built into retail tariffs for those customers who choose a product that is not the cost-reflective network tariff. It is appropriate that customers who make this choice share the associated risk. These customers could manage the risk by choosing the retail tariff with the cost-reflective network tariff.

Practical considerations—the rule change proposal would result in increased administrative burden

The rule change proposal, in combination with a state government-mandated retail tariff structure, would cause the following practical issues (in addition to those already identified by the AEMC):

- It would become more cumbersome to meet the cost-reflective pricing principles as cost-reflective tariff structures (such as a monthly maximum demand tariff component where we apply our long run marginal cost estimates) might not be available under the mandated tariff structure

- It would necessarily result in additional network tariffs, when the industry is collectively working on ways to simplify the suite of network tariffs that retailers currently need to accommodate[12]—an initiative designed to reduce costs across

[11] AEMC, Aligning network and retail tariff structures for small customers, consultation paper, 2 April 2015, p. 18.
[12] The Energy Networks Association and Energy Retailers Association of Australia are conducting joint workshops to identify and implement opportunities to improve retailer pass through of network tariffs.

the supply chain rather than increase them as would be the case under this rule change.

Conclusion

The rule change request is difficult to reconcile with the 2014 rule. The proposed rule change, in the current environment without mandated retail tariff structures would impose costs on stakeholders, while the benefits are unclear. The AEMC should consider the potential detrimental impact on the long term interests of customers of mandated network tariffs that may not be cost-reflective.

As a general point, we encourage ongoing stakeholder engagement by both industry and regulatory bodies (including the AEMC) following major tariff reforms. This helps ensure the benefits of tariff reform—such as those facilitated by recent AEMC rule changes—are realised.

If you wish to discuss the submission please contact me on (03) 8544 9000 or at robert.mcmillan@jemena.com.au. We also support the submission from the Energy Networks Association.

Yours sincerely

for

Robert McMillan
General Manager Regulation
Jemena Limited

Attachment A
JEN residential flyer

Jemena

Important information for residential customers.

The price to deliver electricity to you is changing, and you could benefit through lower bills.

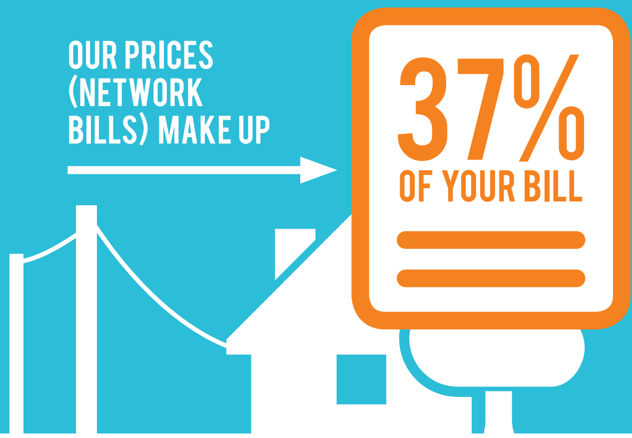
Jemena
bringing energy to life

Jemena is your electricity distributor. We own the poles, wires and meters supplying electricity to approximately 320,000 homes and businesses across Melbourne's north-western suburbs.

We are planning to change our network distribution prices.

Our prices (known as network bills) cover the cost of delivering electricity to you, and they make up about 37% of your total bill sent to you by your electricity retailer.

Jemena will not make any more money from the price changes.



What changes are planned?

1 We expect that **over** **98%** of residential customers will pay lower network bills over the next five years, between 2016 and 2020

2 How we work out your network bill will change from 2018

TODAY (TOTAL $564*)

FIXED CHARGE $252 + USAGE CHARGE $312

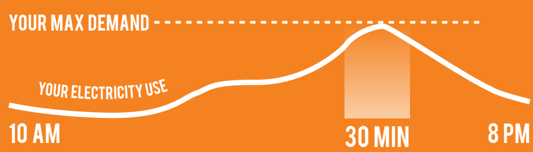
FROM 2018 (TOTAL $435*)

FIXED CHARGE $112 + USAGE CHARGE $239 + MAX DEMAND CHARGE $84

Today our network bill for your home is made up of a fixed amount plus a consumption amount based on how much electricity you use.

From 2018, we will lower fixed and consumption charges, and instead add a new amount based on your highest electricity use at peak times. We call this your 'maximum demand'.

Your highest electricity use in any 30 minute block at peak times, between 10am and 8pm weekdays, calculated every month.

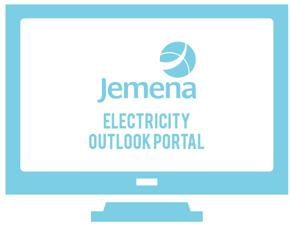


*Estimated network bill for an average household, not including the impact of inflation.

A new way to save on your electricity bill from 2018: keeping your maximum demand down

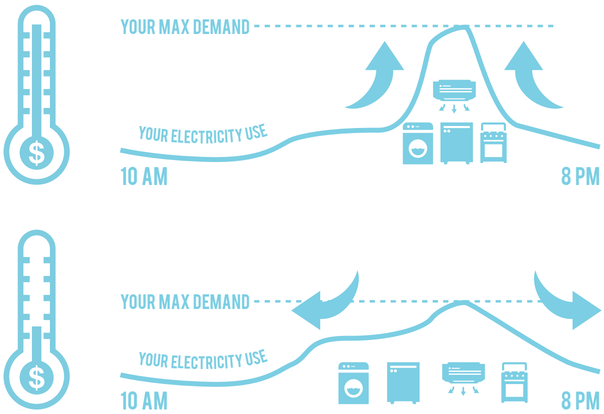
1

Get to know your electricity use. You might like to connect to our free Electricity Outlook portal, or use an in-home display, to see how much electricity you are using and when. Find out more at **electricityoutlook.jemena.com.au**



2

Spread out your electricity use. Help keep your network bills down by spreading out when you use your appliances during peak times: Monday to Friday, 10am to 8pm. For example, you could run your clothes washer, dryer and dishwasher at different times rather than at the same time.



3

Save $$ by shopping around. Ask your electricity retailer to pass on our lower network bills by lowering your electricity bill. Or shop around to find the retail deal that's best for you at **switchon.vic.gov.au**

Have your say on our planned changes

Our prices are approved by the Australian Energy Regulator, and our planned changes are outlined in full in our 2016 Plan available at www.jemena.com.au.

www.jemena.com.au

haveyoursay@jemena.com.au

Jemena
bringing energy to life

Attachment B
JEN small business flyer

Important information for small business customers.

The price to deliver electricity to you is changing, and you could benefit through lower bills.

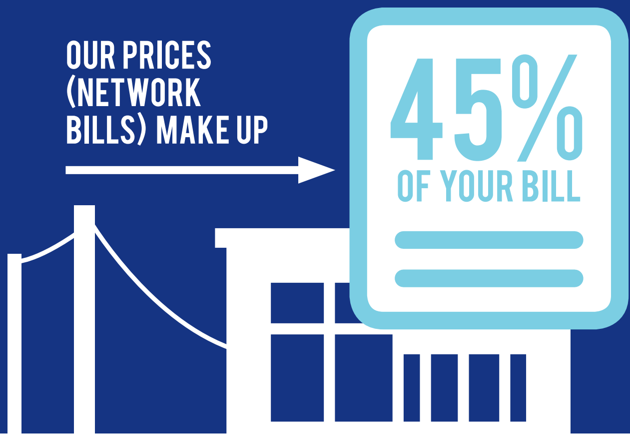
Jemena
bringing energy to life

Jemena is your electricity distributor. We own the poles, wires and meters supplying electricity to approximately 320,000 customers across Melbourne's north-western suburbs including about 26,500 small businesses.

We are planning to change our network distribution prices.

Our prices (known as network bills) cover the cost of delivering electricity to you, and they make up about 45% of your total bill sent to you by your electricity retailer.

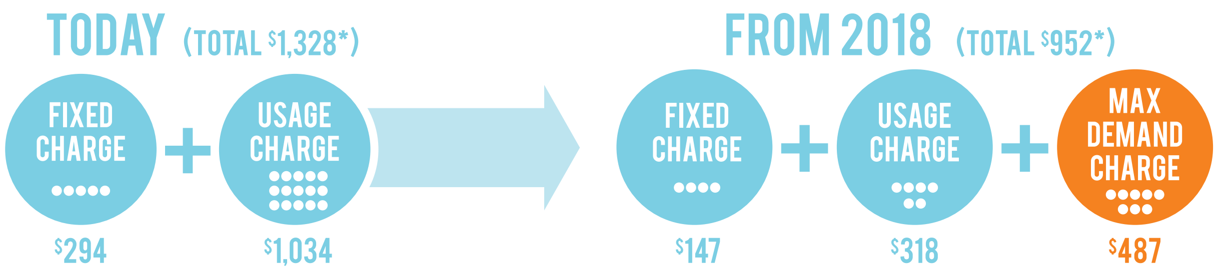
Jemena will not make any more money from the price changes.



What changes are planned?

1 Our total network bills will be lower over the next five years, between 2016 and 2020. We estimate on average small business customers will pay **$376** **less** in network bills by 2020

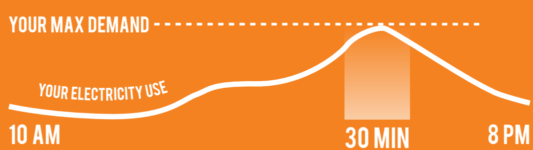
2 How we work out your network bill will change from 2018



Today our network bill for most businesses is made up of a fixed amount plus a consumption amount based on how much electricity you use.

From 2018, we will lower fixed and consumption charges, and instead add a new amount based on your highest electricity use at peak times. We call this your 'maximum demand'.

Your highest electricity use in any 30 minute block at peak times, between 10am and 8pm weekdays, based on your current billed month or your previous billed month (whichever is higher).

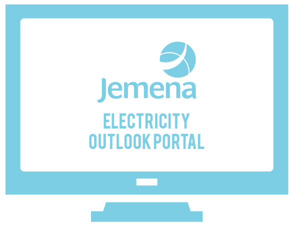


*Estimated network bill for an average small business customer, in today's dollars excluding the impact of inflation.

A new way to save on your electricity bill from 2018: keeping your maximum demand down

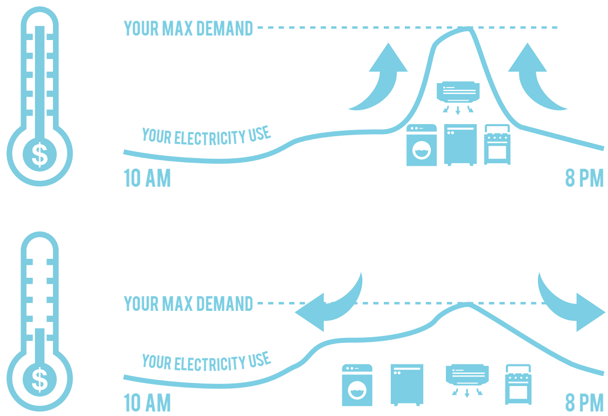
1

Get to know your electricity use. You might like to connect to our free Electricity Outlook portal, or use an in-home display, to see how much electricity you are using and when. Find out more at **electricityoutlook.jemena.com.au**



2

Spread out your electricity use. Help keep your network bills down by spreading out when you use your appliances during peak times: Monday to Friday, 10am to 8pm. Look for innovative ways to use some of your appliances outside of your busy times.



3

Save $$ by shopping around. Ask your electricity retailer to pass on our lower network bills by lowering your electricity bill. Or shop around to find the retail deal that's best for you at **switchon.vic.gov.au**

Have your say on our planned changes

Our prices are approved by the Australian Energy Regulator, and our planned changes are outlined in full in our 2016 Plan available at www.jemena.com.au.

www.jemena.com.au

haveyoursay@jemena.com.au

Jemena
bringing energy to life

Attachment C
JEN large business flyer

Jemena

Important information for large business customers: planned changes to electricity prices

Jemena is your electricity distributor. We own the poles, wires and meters supplying electricity to approximately 320,000 customers across Melbourne's north-western suburbs including about 1,460 large businesses.

Jemena
bringing energy to life

We are planning to change our network distribution charges for large business customers to make our prices more cost reflective.

Our prices (network bills) cover the cost of delivering electricity to you, and they typically make up between 40 and 45% of your total electricity bill.

OUR PRICES (NETWORK BILLS) MAKE UP
45%
OF YOUR BILL

What changes are planned?

1

Our total network bills will be lower in real terms over the next five years, between 2016 and 2020.

By 2020, an average low voltage customer with consumption of 368MWh and demand of 170kW will be an estimated $556 better off in today's dollars.*

An average high voltage customer with consumption of 6,745MWh and demand of 2298kW will be an estimated $3,668 better off.**

AVG LOW VOLTAGE CUSTOMER — $556 BETTER OFF

AVG HIGH VOLTAGE CUSTOMER — $3,668 BETTER OFF

2

How we measure demand is changing from 2017, meaning the efficiency of your business's electrical supply (your Power Factor) will begin to impact the size of your network bills.

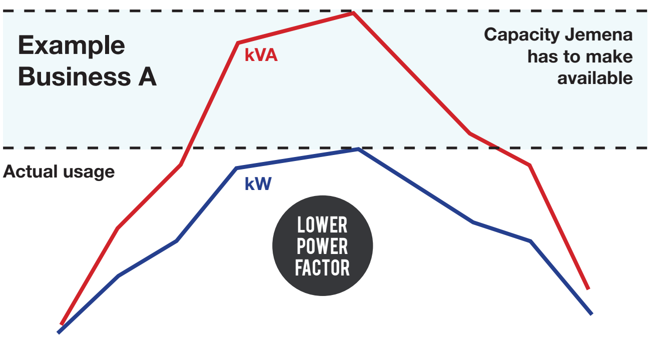
We are planning to change how we measure demand from kilowatts (kW) to Kilovolt amperes (kVA) from 2017.

Kilowatt measures active power, whereas kVA measures apparent power – apparent power is a more realistic measure of the total capacity our network needs to make available to your business as it includes capacity for wasted reactive power.

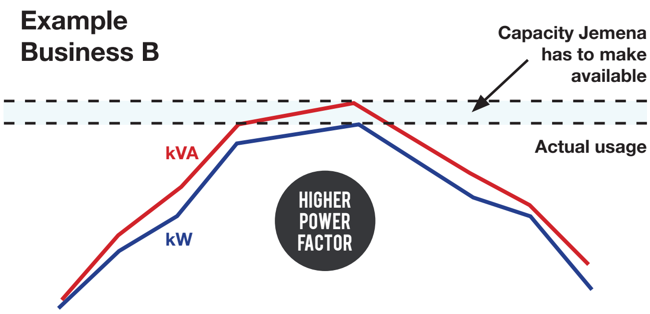
Businesses with an efficient electrical supply who have a better than average power factor will pay relatively lower network bills than businesses with a poorer than average power factor.

FIXED CHARGE + USAGE CHARGE + DEMAND CHARGE

YOUR NETWORK BILL



Business A has an inefficient electrical supply. The gap between active power and apparent power is large, meaning the site has a low power factor and a higher than necessary demand charge.



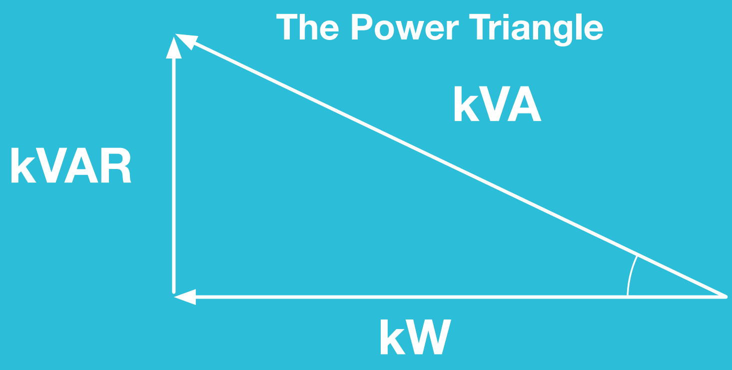
Business B has an efficient electrical supply. The gap between active power and apparent power is small, meaning the site has a high power factor and relatively lower demand charge.

*Assumes demand of 190kVA from 2017
**Assumes demand of 2,553kVA from 2017

What's your Power Factor?

Power Factor is a measure of how effectively your site uses its electricity supply. Power factor is the ratio of real power (kW) to apparent power (kVA).

You can calculate your Power Factor using metering data, or you can contact Jemena if you need help.



Power Factor (PF) = $\frac{kW}{kVA}$

Improving your Power Factor to save on electricity costs

Your business can improve Power Factor and reduce maximum demand in a number of ways. You can investigate installing approved Power Factor Correction, energy efficient or demand management equipment at your site. If you already have this equipment installed and it is not operating correctly, you may need to repair it.

Contact us if you need assistance in identifying power factor issues and determining your possible power factor correction measures on 1300 131 871 or via email customerrelations@jemena.com.au

Power Factor Correction measures can also be discussed with your preferred electrical contractor or power factor correction specialist. If you don't have a preferred specialist, we can help you find one.

Why are we making these changes?

Jemena will not make any more money from the price changes.

The change to how we measure demand is designed to make our charges better reflect our actual costs to deliver electricity to your business.

Although electricity consumption growth is relatively flat across our network, our network costs are being driven by peak demand growth – growth in the amount of electricity our combined customer base needs at peak times such as a very hot summer evening. Demand growth drives our costs because we need to build and maintain our network to meet our customers' electricity needs every day of the year.

The new prices will provide an incentive for large businesses to improve their power factor which reduces the capacity we need to make available to them and frees up capacity in the network; in turn this reduces our network costs and future network prices for all our customers including large businesses will be lower.

Have your say on our planned changes

Our prices are approved by the Australian Energy Regulator, and our planned changes are outlined in full in our 2016 Plan available at www.jemena.com.au.

www.jemena.com.au

haveyoursay@jemena.com.au

Jemena
bringing energy to life

Attachment D
JEN consumer overview

JEMENA ELECTRICITY NETWORKS (VIC) LTD

JEMENA'S 2016 PLAN:
2016 – 20

CONSUMER OVERVIEW
APRIL 2015

An appropriate citation for this paper is:

Jemena's 2016 Plan: Consumer Overview

Contact Person

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INTRODUCTION

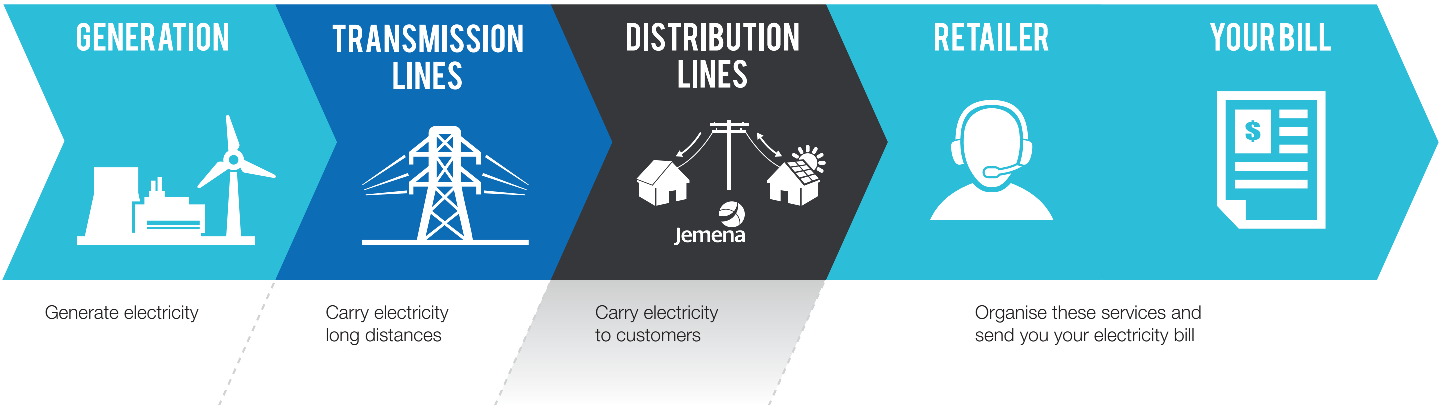
Like many Australians, you've probably noticed your electricity bills rising over recent years—and would like to have more control over your bills and energy usage. However, you might not be aware of Jemena Electricity Networks (JEN)—the company that transports electricity to your premises.

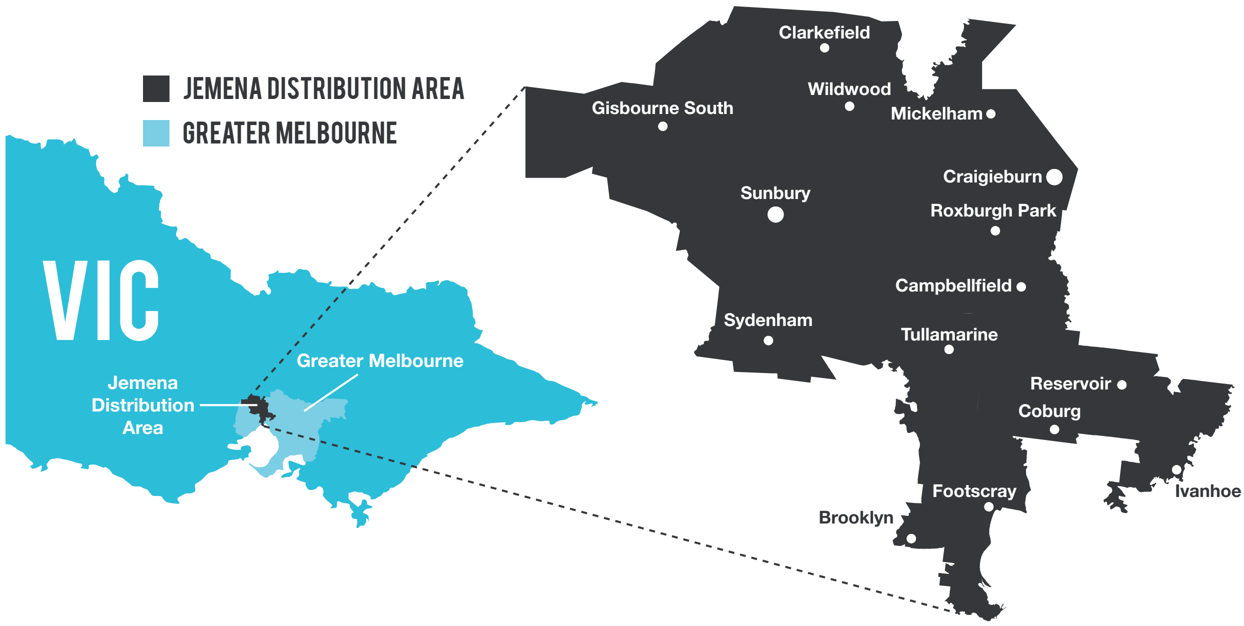
We own and manage the 6,000 km of distribution power lines that transport electricity to over 320,000 homes and businesses across North West Melbourne—from Mickleham to Footscray, and Gisbourne South to Ivanhoe. **[Figure 1]** We also own, maintain and read the meters that allow retailers to bill you for your electricity usage, and provide you with information to help you better manage this usage.

It's our job to make sure you have electricity when you need it. To do this, we must design, operate and maintain our network so it can cope with extreme fluctuations in weather conditions and electricity demand and promptly restore power on the rare occasion when a severe storm or accident results in power outages. Increasingly, we must also manage the 2-way flow of electricity between the network and those customers with solar PV units.

Like most businesses, we need to recover the costs of providing our services from the customers who use them. We do this through the distribution network prices that form part of your electricity bill. Currently, our charges typically make up less than 40% of your electricity bill, which is lower than all other states in Australia. **[Figure 2]**

Figure 1: We own and manage the distribution lines and other assets that deliver electricity to your premises





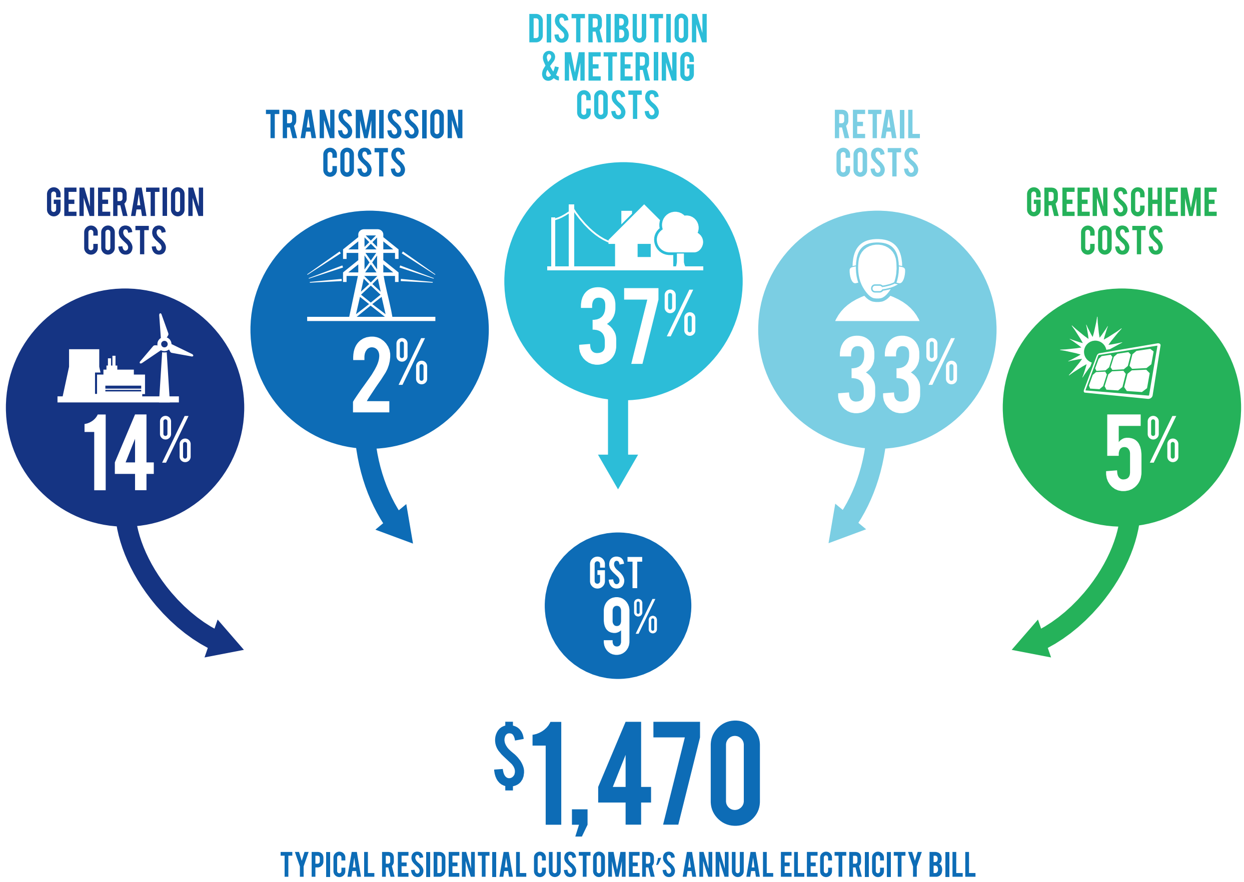
INTRODUCTION

We are currently developing a 5-year plan that sets out our services, costs and prices for the period 1 January 2016 to 31 December 2020 (our 2016 Plan). As part of this process, we engaged with you - our customer - as well as our stakeholders and the community to better understand your priorities and preferences for this period and beyond—including what you want and value in your electricity supply, and what role you want us to play in meeting your energy needs. We want to ensure the decisions we make reflect your priorities and long-term interests.

Overall, we propose to lower our network prices by an average of 8.2% over the 5-year period (excluding the impact of inflation). This will deliver savings of up to $138 for our residential customers and $376 for our small business customers (excluding the impact of inflation). We also propose to update the individual components of these prices so they send better signals to encourage you to make more informed decisions about when and how you use our network—and to make it easy for you to get the information you need to take control of your energy needs and costs. We estimate that over 98% of our customers will receive a reduction in the network component of their bill over the 2016 regulatory period (excluding the impact of inflation).

This document provides an overview of our proposed 2016 Plan, and what it means for you including some of the benefits and risks. It also explains why and how we developed this plan as well as how we engaged with customers in developing the plan and responded to the feedback we received.

Figure 2: Our distribution network prices make up less than 40% of a typical residential customer's annual bill



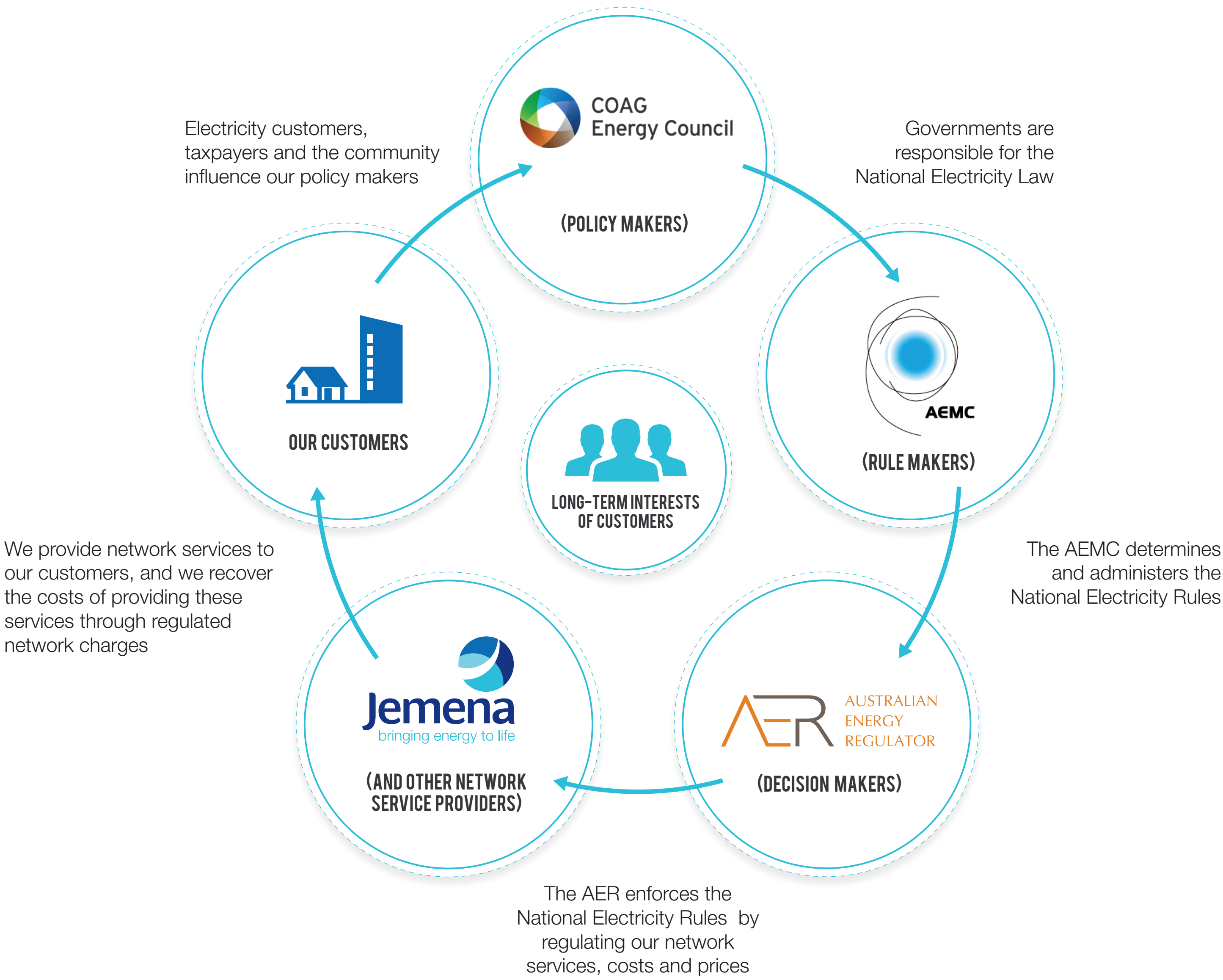
OUR 2016 PLAN

WHAT IS OUR 2016 PLAN?

Like other electricity distribution network businesses in Australia, JEN is regulated under a national framework of regulation. Every 5 years, we submit a proposed plan to the Australian Energy Regulator **(AER)**, explaining the services we will offer, the costs we are likely to incur, and the prices we propose to charge over the next regulatory period. This plan must promote the "long-term interests of customers", and comply with all other requirements of the National Electricity Law (NEL) and National Electricity Rules (NER).

The AER reviews our proposed plan to check that it complies with all these requirements. It then either approves the plan, or specifies the changes we must make. Once approved, we must set our prices in line with the plan. **[Figure 3]**

Figure 3: Our network services and prices are regulated under the national energy regulation regime



OUR 2016 PLAN

HOW WE DEVELOPED THE 2016 PLAN

To develop our proposed 2016 Plan, we:

- considered the safety and service levels you expect (and are willing to pay for) over the 5-year period from 1 July 2016 (and future periods)
- forecast the efficient level of costs we will incur over this period (and future periods) to meet these safety and service levels, and run our business in a way that promotes your long-term interests, and
- calculated the prices we need to charge to recover these costs, and structured these prices to encourage you to make informed decisions about the way you use our network. **[Figure 4]**

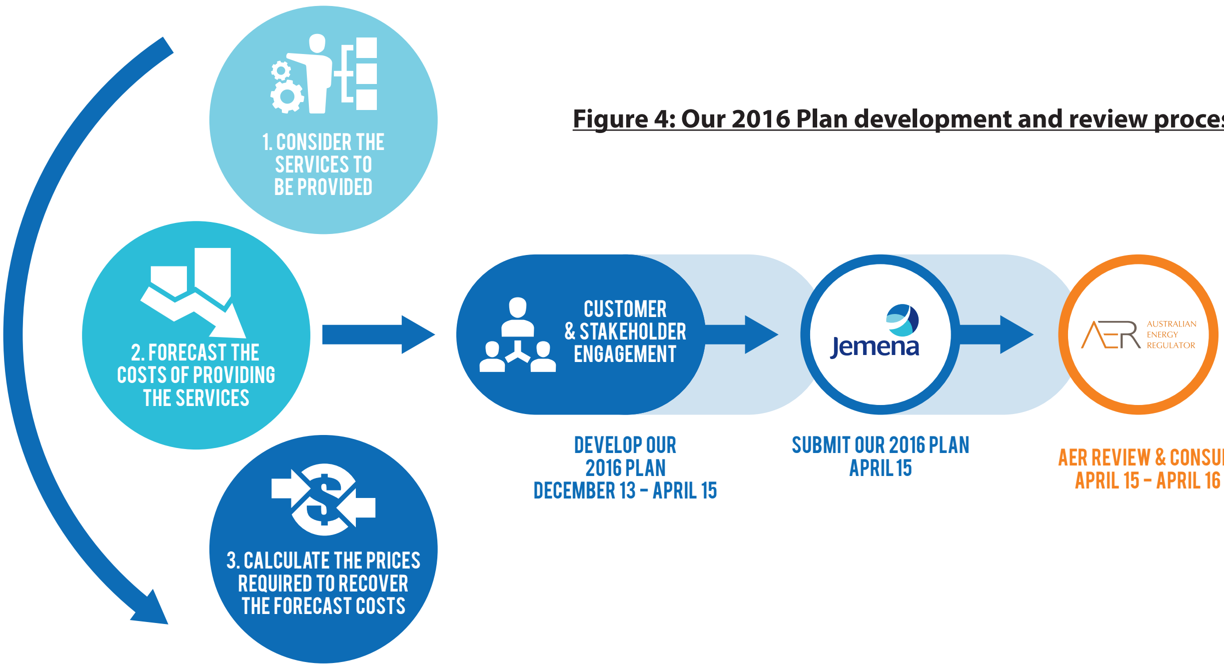


Figure 4: Our 2016 Plan development and review process

During this process, we engaged with you as well as our stakeholders and the community to help us understand your preferences and concerns, and to test whether our proposed service levels, costs and prices promote your long-term interests. [**Box 1: How we engaged with our customers**]

We also took into account the changes occurring in the electricity market, and how they will affect our network and your interests. **[Box 2: How the energy market is changing]**

BOX 1: How we engaged with our customers

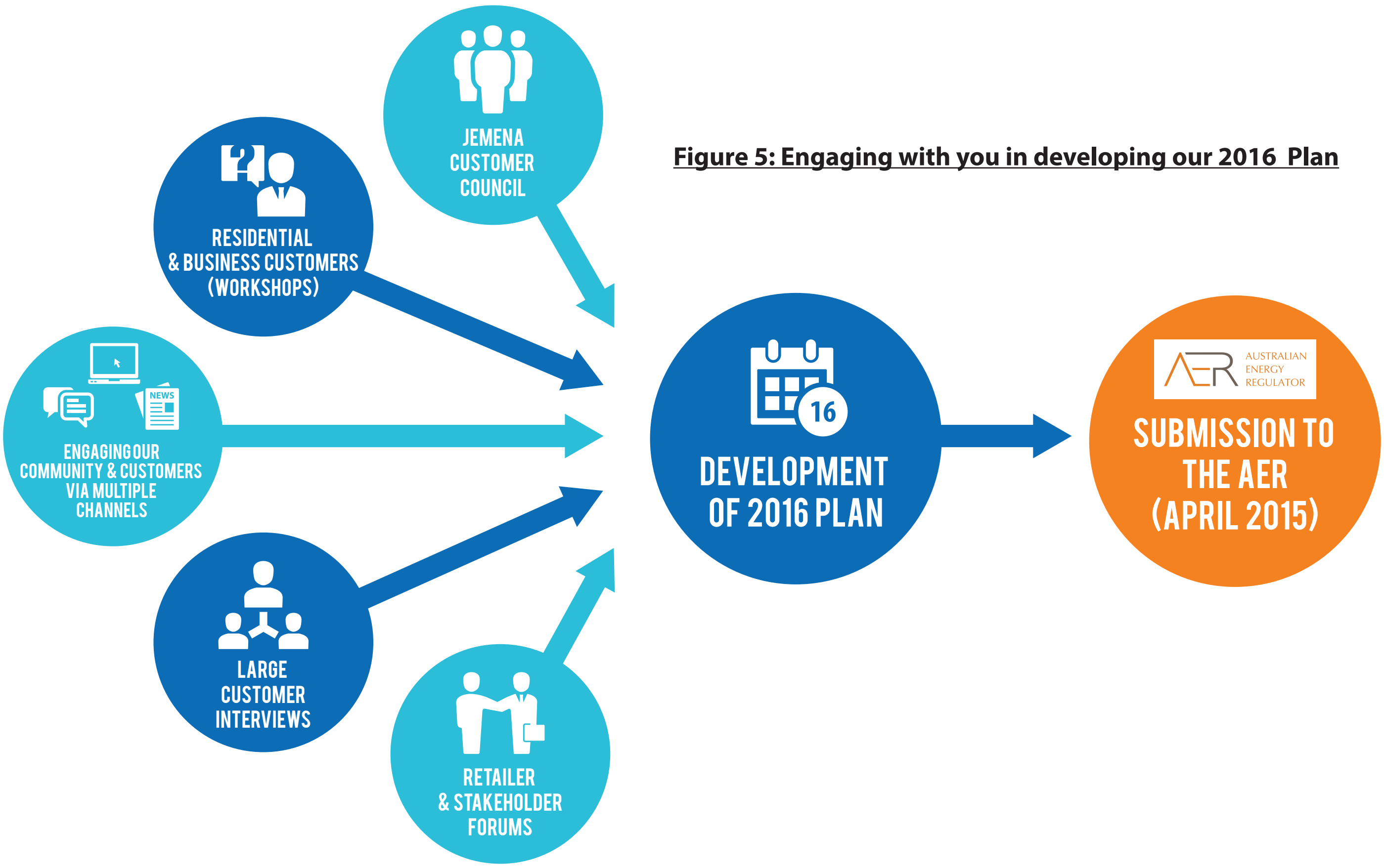
To help us develop our 2016 Plan, we engaged with a wide range of customer and stakeholder groups as well as the broad community. **[Figure 5]** As part of this engagement, we explained the key context for our plan, so participants could provide informed feedback. We also asked participants about the safety and service levels they expect in their electricity supply, and how they intend to manage their energy needs for the next 5 years and beyond – particularly, how they will use our network in managing these needs.

Next, we sought participants' views on the key decisions we need to make for the next 5 years, to help us find the right balance between the long-term safety of our distribution network services, the service levels we provide to current and new customers, and the level and structure of the prices we charge. Some of the specific issues we sought feedback on were:

- the safety and service levels we currently provide, and whether we should invest more to lift the quality of our services across our network, or cut costs by lowering this quality
- our proposed investments to manage expected changes in our network and the energy market, as new customers join the network and new technologies become available
- our proposed changes to the structure of our network prices, which we think will help you make more informed decisions about the way you use our network, lower our network costs and help you save money in the long term
- what we can do to help you manage your energy needs, and assist the most vulnerable customers in our community.

We are committed to learning from our engagement and striving to continue to develop a best-practice approach to customer engagement as part of our day-to-day business.

Figure 5: Engaging with you in developing our 2016 Plan



"Safety is a non-negotiable and the most important priority."

Residential Customers
Moonee Ponds forum, 17 September 2014

BOX 2: How the energy market is changing

Once, Australia's electricity markets were largely the domain of technical regulators and engineers—most likely you did little more than consume electricity and pay your bills. Without access to information on your energy usage patterns or viable options to change your energy supply, there was little opportunity for you to make your own well-informed decisions.

However, all this has changed.

Empowered by a range of technological, market and policy changes - including our investment in smart meters - you can increasingly take control of your energy needs. You may be responding to changing prices and shopping around for better retail offers to manage your usage and lower your bills. You may also be looking to new (and increasingly affordable) technologies to help you produce your own energy and reduce your energy consumption.

This has changed the way you use our network and is increasingly changing the services we provide.

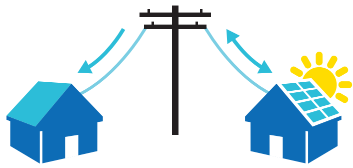
For example, our network no longer provides a one-way flow of electricity, with the increasing installation of solar PV units meaning we increasingly provide a two-way flow. This is particularly during daylight hours when excess energy generated by solar units needs to be transported across our network to other local customers. **[Figure 6]**

Our services are guided by your preferences as well as technology and market innovations. We see our role as facilitating these changes to promote your long term interests. **[Figure 7]**

For example, we expect new technologies such as battery storage, electric vehicles and smart grids to become increasingly viable, and new market players to emerge to assist you in managing your energy needs.

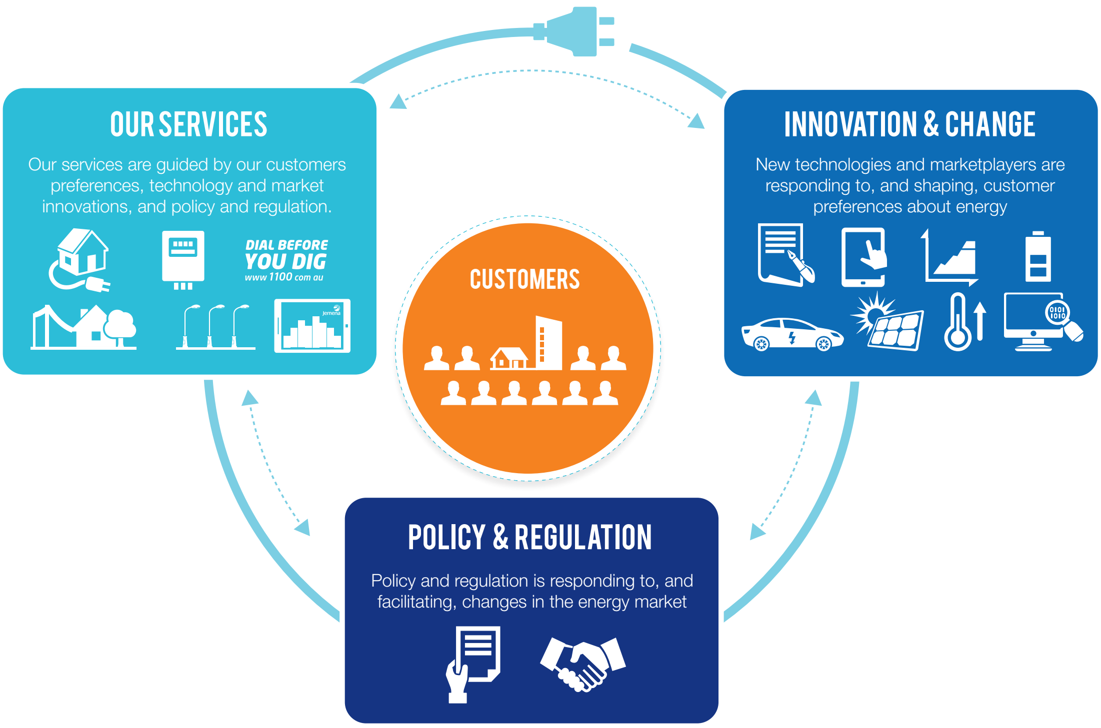
We are committed to providing network services that empower you to take control of your energy bills – for example, by making it fast and easy for you to connect solar PV units and other technologies to our network,

Figure 6: New technologies like solar PV change the way customers use our network



and by safely and reliably transporting any excess generation to other homes and businesses. We also aim to price our services in a way that takes account of the different ways you may use our network, and the different costs involved. This will encourage our you to make more informed energy decisions which is ultimately in your long-term interests. **[Figure 13]**

Figure 7: Our services are evolving in response to customer, market and policy changes



WHAT OUR 2016 PLAN MEANS FOR YOU

WHAT OUR 2016 PLAN MEANS FOR YOU

Through our customer and stakeholder engagement process, you have told us what you want and expect from us and we have listened. In line with your feedback and priorities, our proposed 2016 Plan means we will:

- Continue to provide the safe, reliable and responsive network services that you value
- Put downward pressure on our network prices
- Be more transparent about our costs
- Update the individual components of these prices to encourage you to make informed and efficient energy decisions
- Empower you to take control of your energy decisions
- Better assist vulnerable customers who are struggling to pay energy bills
- Continue to engage with you on our services, costs and prices.

We think this plan strikes the right balance between the business and customer outcomes necessary to promote your long-term interests. **[Box 3: What does "the long-term interests of customers" mean?]**

We expect it to provide a range of benefits for you and our stakeholders. **[Figure 8: Our 2016 Plan responds to what you told us]]** However, there are also some risks which may affect our ability to deliver these benefits. **[Figure 9]**

BOX 3: What does "the long-term interests of customers" mean?

To ensure our 2016 Plan promotes "the long-term interests of customers" (as required by the National Electricity Law), we considered what this means in practical terms.

After engaging with our customers, we think it means being customer-focused, striving to run our business as smartly and efficiently as possible, and thinking and planning for the long term so that:

- Our service levels reflect what our customers want and are willing to pay for
- Our prices reflect the lowest sustainable cost of meeting the required safety and service levels (and are not higher than they need to be because of inefficient operations or poor investments)
- Our services are priced to encourage customers to make informed energy decisions about the way they use our network, which over time will lower network costs and help drive innovation in new technologies
- Our combination of price and service levels represent good value for money and encourages customers to continue to use our network efficiently, reducing prices for our customers.

WHAT OUR 2016 PLAN MEANS FOR YOU

CONTINUING TO PROVIDE SAFE, RELIABLE AND RESPONSIVE NETWORK SERVICES

Like any business, we need to strike a balance between the safety of our services, the service levels we provide and the prices we must charge to recover the costs of these safety and service levels. **[Box 4: Balancing safety, services and prices in the long-term interests of customers]**

On one hand, power outages can be more than an inconvenience—they can affect your entire family or business. On the other, ensuring outages never occur involves spending more on network assets and employees—which increases our costs and prices.

To help us get this balance right, we asked you about the current balance between our safety, services levels and prices. **[Box 5: What do we mean by our service levels?]** For example, we checked you agree that the safety of our customers, the general public and our employees should be our number one priority. In line with your feedback, our 2016 Plan ensures that safety will not be compromised.

We also asked whether you:

- Are happy with our current levels of service reliability and responsiveness—which mean that, on average, each customer has about one blackout per year and each blackout lasts around one hour—or would prefer to pay higher (or lower) prices for higher (or lower) service levels
- Are happy with the current visual impact of our network in your local area—including the look of our overhead wires, tree-trimming and substations—or would prefer to pay more to improve this visual impact
- Support the investments to maintain our current service levels across our network—including in new growth areas, in established areas where assets are ageing, and IT systems that support our operation and maintenance programs.

You told us you are happy with our current service levels. In line with this feedback, we are committed to undertaking targeted investment across our network to enable us to maintain our current service levels.

Our 2016 Plan includes investing an additional:

- $60m around Craigieburn and Sunbury to ensure the network can accommodate new residential growth in these areas, and $31m to ensure the network can accommodate new commercial growth areas and facilitate the development of significant infrastructure for Melbourne
- $76m to replace aging assets—including 19,000 of the oldest pole top structures—in line with recommendations by Energy Safe Victoria to maintain our safety and service levels in areas where our assets are ageing
- $16m in expanding our inspection and maintenance programs in areas where our assets are ageing to meet new safety and technical standards, and to target those assets that are in need of replacement to maintain our safety and service **[Box 6: Expanding our inspection and maintenance programs to maintain safety and reliability]**
- $36m in our IT systems to ensure we can provide a technology platform that supports future growth and operation of the energy market.

This investment will result in an increase in our operating and capital costs relative to what we've invested over the last 5 years. **[Box 7: What costs are involved in providing our network services?]**

To help minimise the impact of these investments on prices, we will continue to follow our world-class approach to planning and asset management. We also plan to improve our efficiency by over 4% over the next 5 years. **[Box 8: Improving our efficiency to put downward pressure on our prices]**

"I'm happy with the service at the moment"

Residential Customers
Moonee Ponds forum, 17 September 2014

BOX 4: Balancing safety, services and prices in the long-term interests of customers

Like many businesses, we need to make decisions on behalf of our customers – including what safety and service levels we provide to meet our regulatory obligations and customer expectations.

Making these decisions inevitably involve trade-offs. For example, our customers consistently tell us they value a safe, reliable and responsive supply of electricity. But they also tell us that rising energy prices have become a household and commercial concern, and they want us to put downward pressure on our costs and network prices. These priorities are potentially conflicting, as higher service levels usually involve higher costs.

Our investments in electricity infrastructure and other assets also last for a long time (in some cases, up to 50 years). This means the decisions we make today will affect our services, costs and prices over many years.

Figure 8: Balancing safety, services and prices in the long-term interests of customers

With our energy markets expected to undergo big changes in the future, we need to understand your priorities and preferences if we are to make decisions that promote your long-term interests. This includes what you want from our network, and how you are likely to use our network over the short and longer term.

BOX 5: What do we mean by our service levels?

Our service levels have 4 key aspects:

1

Reliability– making sure electricity is available whenever and however you choose to power your home or business

2

Responsiveness – minimising the time we take to restore power on the occasions when outages do occur

3

Public amenity – considering the visual fit of our network within your local area, such as the look of our poles and wires, tree-trimming and substations

4

Empowering customers – assisting you to better manage your electricity use and costs, for example by making it easy to get the information you need to make energy decisions

WHAT OUR 2016 PLAN MEANS FOR YOU

BOX 6: Expanding our inspection and maintenance programs to maintain safety and reliability

Some of our network assets were built 50 years ago or more. Just as an older car needs more frequent servicing, these ageing assets need greater inspection and maintenance.

To ensure we continue to meet safety requirements and provide the service levels you expect, our 2016 Plan provides for us to expand our inspection and maintenance programs in the aging parts of the network. This will enable us to:

- Inspect and test the wires connecting houses to our street poles, in line with new safety and technical standards
- Inspect and test our poles and conduct a trial of a pole-top fire early detection system, to improve safety and maintain service reliability
- Test high-voltage underground cables to improve reliability and allow us to identify the cables most in need of replacement
- Remove old street light wires that are not in use to improve safety
- Keep our assets in service safely, and for as long as possible.

Figure 9: Our 2016 Plan responds to what you told us

	What you told us	Our response and the benefits for you
Our safety and service levels	*Safety should remain our top priority* *You want us to maintain our current service levels, and support our planned investments to enable this*	*We will maintain our current safety and service levels, continuing to provide the safe, reliable and responsive services our customers expect.* *We will make efficient investments to ensure demand from new growth areas and aging assets in well-established areas don't compromise our service levels and our investments in new growth areas will enable local economic development.*
Our costs	*You want us to be transparent about our costs* *You want us to continually improve our efficiency and put downward pressure on customer bills* *You support us exploring innovative technologies which can help lower our costs over the long term*	*We will keep our average prices as low as possible by:* • *continuing to improve our cost efficiency* • *passing through the benefits of the reduction in our funding costs* • *ensuring our customers only pay for expenditure that is necessary, and exploring new alternatives to future network investment.*
Our prices	*You want prices that better reflect and more equitably share the costs of using our network*	*We propose to update the individual components of our network tariffs to provide better price signals and reduce cross-subsidies between customers. This will empower you with new ways to save on your bills, and encourage you to make informed choices in using our network.* *We have proposed measures to minimise the adverse impacts of the proposed changes in our price components.*
Empowering customers	*You want to be more active decision-makers and take control of your energy decisions*	*We will continue to facilitate your use of new technologies to manage your energy needs and provide information you need to take control of your energy decisions.*
Helping vulnerable customers	*Some customers are struggling to pay electricity bills* *You think we have a role to play in assisting vulnerable customers*	*We will assist vulnerable customers struggling to pay electricity bills by helping them to replace inefficient appliances and providing them with targeted information about their energy usage and bills.*
Engaging and responding to our customers	*You value us engaging with you on a range of issues*	*We will continue to engage with our customers, stakeholders and the community on our services, costs and prices.* *We will continue to learn from and improve our engagement processes.*

Figure10: There are also some risks which may affect our ability to deliver the benefits of our 2016 Plan

Risks		
Reduced service levels	**Price volatility**	**Tariffs**
If the AER does not approve our forecast efficient costs and we cannot implement our capital program, our service levels may not meet customers' expectations	The AER has determined that our revenue from customers will be capped. If our customers' total electricity consumption falls, our average prices may increase	If policy makers allow customers to 'opt-out' of our proposed tariffs, or retailers do not pass through these price signals to customers, cross-subsidies will continue and network prices will be higher than they need to be

BEING MORE TRANSPARENT ABOUT OUR COSTS AND REVENUE

You told us you want to know where your money goes, so we're going to be more transparent about our costs over the 5-year period, and how much revenue we need to earn to recover those costs.

Like most businesses, we incur two broad types of costs in providing our services – operating and capital costs. **[Box 7: What costs are involved in providing our network services?]** However, our prices don't aim to recover all these costs in the period we incur them. Rather, we calculate how much revenue we need to recover in the period using the 'building block' approach specified in the electricity regulatory framework. This involves estimating:

- Our funding costs over the 5-year period (interest and other costs related to our 'borrowings' for our debt and equity for past and forecast capital costs)
- Our forecast operating costs over the 5-year period (including any revenue adjustments to account for any rewards or penalties or use of shared assets)
- The depreciation on our assets over the 5-year period (the amount we need to recover over this period so we will recover our capital costs over the expected life-time of each asset), and
- Our tax costs over the 5-year period (to pay our tax liabilities to the Australian Tax Office)

After considering our estimates, the AER determines our revenue requirement for the period. We then adjust our current network prices up or down to enable us to recover this revenue from our customers.

In our proposed 2016 Plan, we calculate we need $1,466m in revenue for our distribution network and metering services over the next 5-year period (excluding the impact of inflation). This represents revenue of $879* per customer per year —or an increase of 0.7% per customer per year compared to the current period (excluding the impact of inflation). **[Figure 11: Our required revenue per customer per year in the next 5-year period is lower than the current period]**

There are several reasons for our required revenue per customer remaining stable.

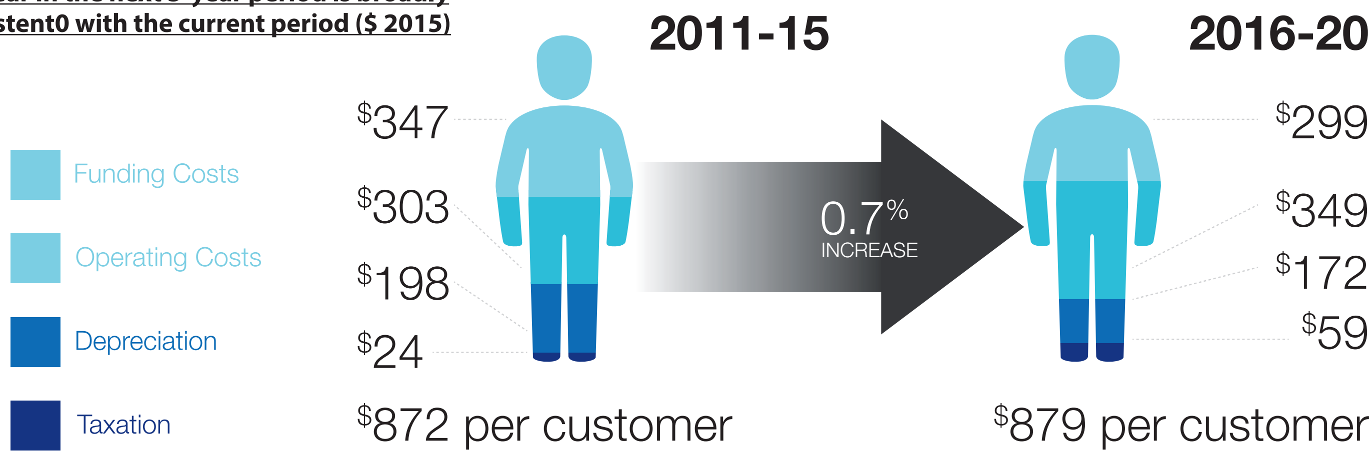
First, our funding costs for the period are much lower than for the current period. Like home interest rates, the costs of funding our past and forecast capital costs vary with economic and financial market conditions. When we submitted our current plan 5 years ago, our rates of 'borrowing' were high due to the unusual conditions in financial markets at that time (the global financial crisis). Since then, conditions have improved and our costs have come down. The decline in our funding costs is partially offset by the forecast increases in our operating and capital costs to enable us to maintain our current service levels.

Second, our customers' total electricity usage is continuing to grow, mainly due to the new residential and industrial growth areas. While our total revenue requirement is increasing by 15.3% compared to the current period, increasing customer numbers and electricity usage helps to lower the average revenue we must recover from each customer - and lower our network charges - to generate our overall revenue requirement.

Third, our capital and operating costs for providing our distribution services are higher over the next 5-year period, while our capital costs for providing metering services are lower.

*The average revenue per customer is significantly higher than a typical residential customers' annual network bill.

Figure 11: Our required revenue per customer per year in the next 5-year period is broadly consistent0 with the current period ($ 2015)



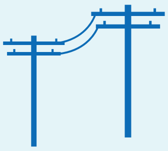
BOX 7: What costs are involved in providing our network services?

Like most businesses, we incur two broad types of costs in providing our distribution and metering services – operating and capital costs.

- **Operating costs** include the costs of operating and maintaining our physical assets (such as poles, substations, meters and IT systems); responding to outages or damage caused by storms; and minimising the potential for trees and vegetation to damage our network. They also include the costs of performing other functions like reading meters and providing billing information to retailers, and meeting legal and regulatory requirements.

  - These costs are generally recurrent, much like the costs of running a household (buying groceries, paying bills, general home maintenance) and we recover these costs on an annual basis.
  - We expect our operating costs for providing distribution services to increase to $499m over the next 5-year period, an increase of 32% compared to the current period (excluding the impact of inflation).
  - The reasons for this increase include the cost pressures from competing for skilled labour with other sectors in the economy, and by the costs involved in meeting new regulatory obligations (such as the new inspection and maintenance requirements for aging assets). This is partially offset by improvements in our efficiency. **[Box 8: Improving our efficiency to put downward pressure on our prices]**

- **Capital costs** include the investments we make to buy and build the physical assets required to deliver our services and meet our safety and service levels now and in the future. Our capital works range from small standard projects (like installing a small length of wire and a meter to connect a new customer to the existing network) to large multi-million-dollar projects (like installing new substations to ensure our network can accommodate growth in electricity usage or replacing aging poles and other assets to maintain the safety and reliability of our network).



  - These costs are generally funded through borrowings from debt and equity markets and paid back over the long term to ensure both current and future customers who benefit from the assets contribute to their costs.
  - We expect our total capital costs for providing distribution services to increase to $841m over the next 5-year period, an increase of 20% compared to the current period (excluding the impact of inflation).
  - Some of the things that influence our capital costs include growth in our customers' total electricity usage, the age of our assets, the costs to connect new customers to our network and changes in regulatory requirements, upgrades to our billing and IT systems and your evolving expectations.

WHAT OUR 2016 PLAN MEANS FOR YOU

REDUCING OUR AVERAGE NETWORK PRICES

You told us that rising energy prices have become a household concern, and you want us to put downward pressure on our costs and network prices.

While we can't influence all the costs that make up your electricity bill, we are committed to keeping the distribution network component of this bill as low as possible. In fact, our proposed 2016 Plan includes an 8.2% decrease in our average network prices over the 5-year period from 2016 (excluding the impact of inflation).

For you and other typical residential customers, this means the distribution network component of annual electricity bills will fall by 22% or $125 per year over the period—more than offsetting the impact of inflation. However the change in annual electricity bills will be different for other customers. **[Figure 12]**

BOX 8: Improving our efficiency to put downward pressure on our prices

You told us that you want to see us continually striving to improve our efficiency so our services provide more value for money.

Currently, we are one of the lowest cost and most efficient electricity utilities in Australia. For example, a comparison of the total costs we incur to provide network services relative to other electricity utilities in Australia has been found to be among the most efficient of these businesses.

However, as markets change and knowledge and technologies improve, there are always opportunities for further improvements in efficiency. Improving our efficiency by being smarter and more innovative in how we plan and operate our network helps lower our prices over time.

That is why we are committed to pursuing more efficiency improvements—including improving our operating cost efficiency by over 4% over the next 5 years.

In setting our proposed prices, we have taken account of your concerns about the affordability of energy. We have proposed a reduction in our prices in 2018 to minimise any adverse impacts of the proposed changes in price components (discussed below) on specific customers. **[Box 9: Our proposed changes to individual network charges]**

At the same time, our plan ensures we can fully recover our efficient costs over the next 5 years, so we can maintain the safety, reliability and quality of our services that our customers value, both today and in the future. We think this strikes the right balance between the business and customer outcomes necessary to promote your long-term interests.

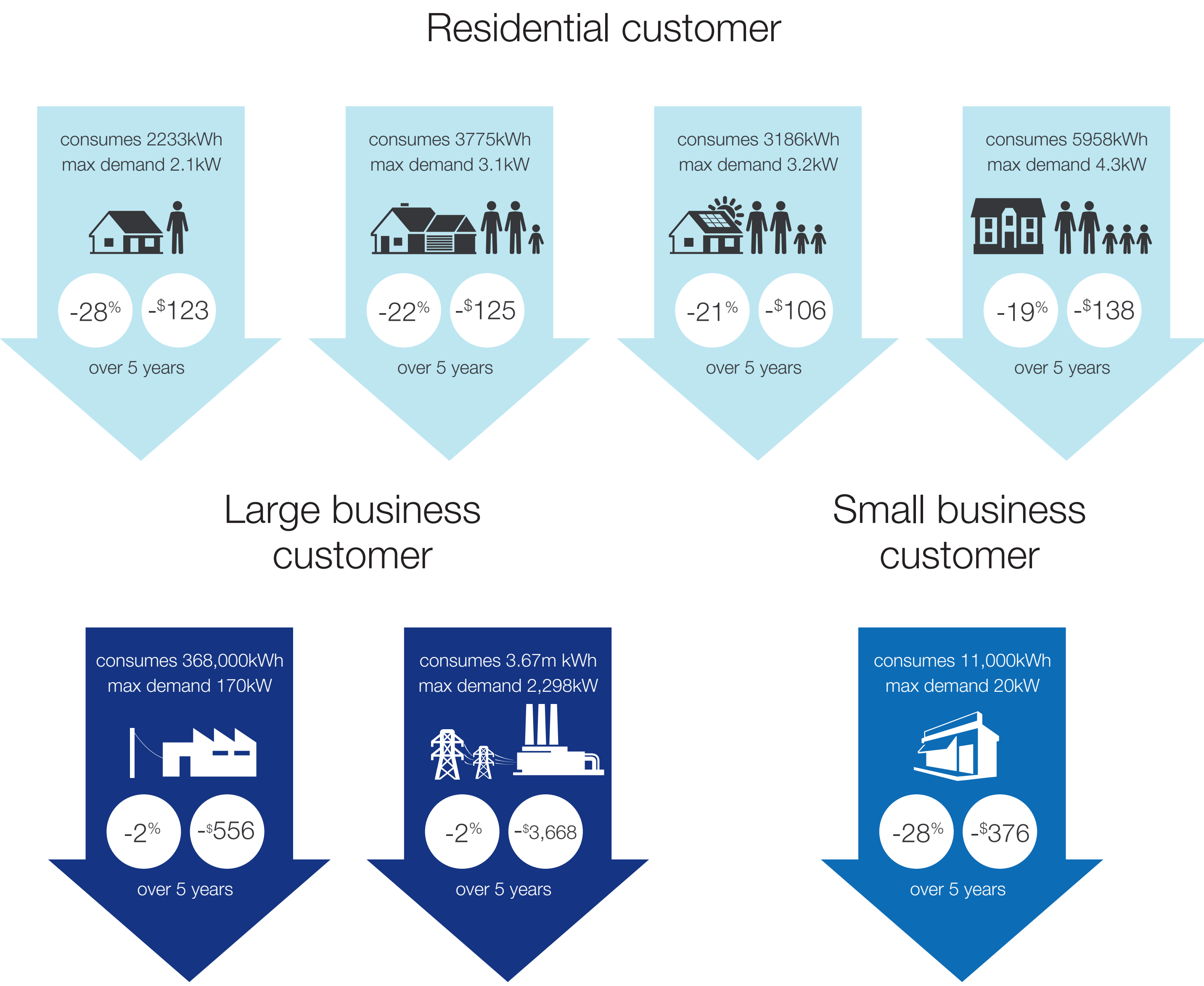
You may not see our network charges itemised on your electricity bill, as retailers typically incorporate our charges in their end prices and charges, along with the other costs of supplying electricity. But you should continue to shop-around and find which retailer offers the best deal for you. The Jemena Electricity Outlook Portal gives you easy access to your electricity usage information to compare retail market offers. **[Box 10: Jemena's electricity portal empowers customer to take control of their energy decisions]**.

The Victorian Government's independent website - https://switchon.vic.gov.au/ - also provides advice about shopping-around for retailer offers and how you can manage your energy costs.

"Changing behaviour over time requires changes to pricing".

Residential Customers
Moonee Ponds forum, 17 September 2014

Figure 12: Changes in network bills over the 5-year period for typical customers (excluding the impact of inflation)



UPDATING OUR PRICE COMPONENTS TO ENCOURAGE INFORMED ENERGY DECISION MAKING

Our network prices or 'tariffs' are made up of a number of charges, so that the total network cost incorporated into your electricity bill comprises several separate components. Typically, these include a fixed (or 'standing') charge that applies to each premises we supply, and a variable charge that applies to the volume of electricity consumed.

You have probably paid for electricity this way for as long as you can remember. But our energy market has changed, and there is now more diversity in how our network is used. **[Box 2]** As a result, our current charges don't send clear signals about the different costs of using our network in different ways—and mean some customers are paying more than the cost of their use of the network, while others are paying less.

We don't think this encourages you to make informed decisions about using our network, or shares our costs between customers in the most fair and equitable way. It is also out of step with recent changes to the electricity regulatory framework, which require network charges to signal the cost of using the network.

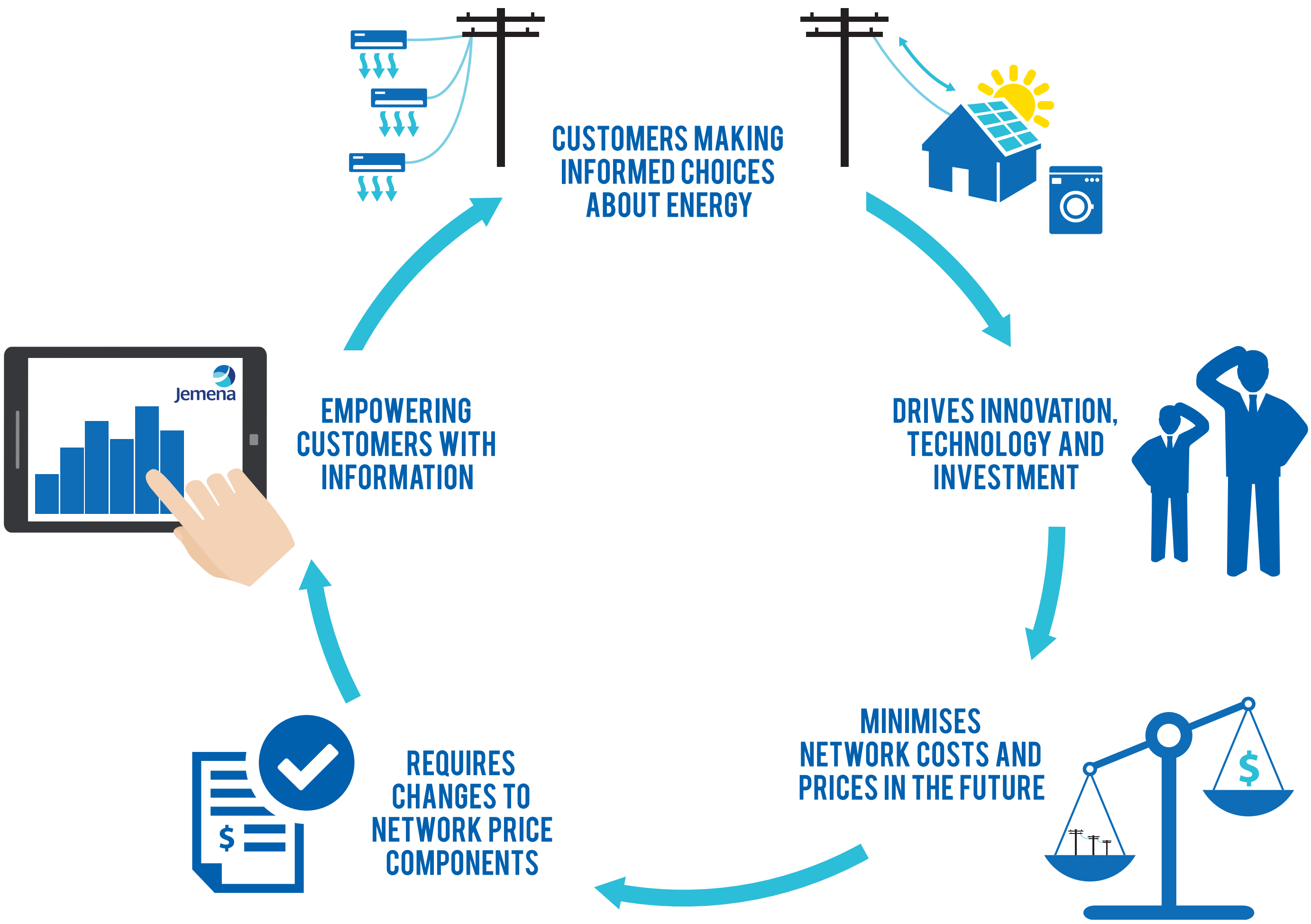
To help us address this issue in a way that promotes your long-term interests, we consulted extensively with you. You agreed that our network charges need to be updated to respond to the changes in the energy market, to accommodate the future changes in how you may use our network and to use the benefits of the smart meters we have installed across our network to deliver better (as well as cheaper) services. You also told us it made sense to transition to the updated charges as soon as practical.

In line with this feedback, our proposed 2016 Plan includes the introduction of a new 'maximum demand charge'. This new charge will mean that over the next 5 years, how much you pay for using our network will increasingly depend on how and when you use the network—that is, on your maximum demand in kilowatts (kW) during the specified period of peak demand on our network. **[Box 9: Our proposed changes to individual network charges]**

This will encourage you to make decisions about using the network that take better account of the costs involved—which, in turn, will drive continued technological and market innovation to assist you in managing energy use, and put downward pressure on network costs and average prices over the long term. **[Figure 13]**

While the new charge will not mean we recover more costs from customers in total, it may affect how much you will pay for using our network. How you are affected will depend on how and when you currently use the network, and how you respond to the new price signals. We will publish information on our website and engage with our stakeholders to help you understand what you can do to respond to these signals and take control of your electricity bills.

Figure 13: Ensuring our network prices encourage customers to make informed choices about energy



BOX 9: Our proposed changes to individual network charges

Our network must be built and maintained to meet our customers' total maximum demand for electricity from the network at any moment in time. Daily peaks in this demand occur between 10am and 8pm on weekdays – when most people are at home and using a variety of appliances and/or businesses are operating. The largest peaks occur on just a few days per year—when weather conditions are extreme and when many people are using air conditioners.

When the size of these large peaks in demand increases, we must make significant investments in the network to maintain the reliability of our services. This means that your maximum demand on our network at any time influences our costs.

To encourage you to take account of this effect in making your energy decisions, we propose to change how we recover our costs from customers. From 1 January 2018, we will introduce an additional charge for all residential and small business customers—a 'maximum demand charge'.

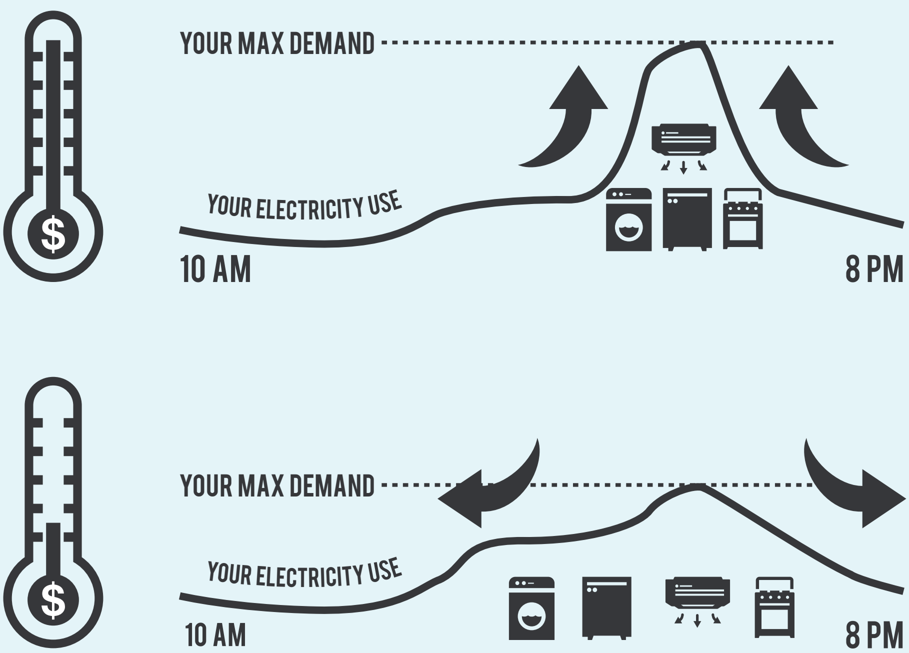
This maximum demand charge ($ per kilowatt) will depend on the maximum amount of electricity you draw from the network during the specified window of 10am to 8pm on weekdays over a month. The new charge will empower you with new ways to save on your electricity bills by encouraging you to reduce your maximum demand during the demand charging window—for example, by:

- lowering your consumption by purchasing energy efficient appliances and light bulbs
- shifting your consumption by choosing to use appliances, such as dishwashers and washing machines, outside of these periods
- 'smoothing' your consumption by avoiding using multiple appliances simultaneously. **[Figure 14: Reducing your network bill by smoothing your consumption during the demand charging window]**

The impact of the maximum demand charge on customer electricity bills will depend on how retailers incorporate the new network price signals in their retailer offerings. However by 2020, we estimate that for a typical residential customer, this new charge will represent around 27% of a typical bill, or around $132 per year.

This doesn't mean we will recover more money from our customers. Rather, it changes the way we recover money from our customers. We will continue to have a fixed standing charge and variable usage charges to recover our other fixed costs, and on average these components will be lowered.

Figure 14: Reducing your network bill by smoothing your consumption during the demand charging window



WHAT OUR 2016 PLAN MEANS FOR YOU

EMPOWERING YOU TO TAKE CONTROL OF YOUR ENERGY DECISIONS

You told us that you want to be an active decision-maker and take control of your energy needs. We think we can play a useful role in facilitating and empowering you to do this.

Our 2016 Plan commits to facilitating the use of new technologies to manage your energy needs—such as solar PV and, in the future, battery storage—by making it fast and easy to connect these technologies to our network.

Our 2016 Plan also commits to empowering you with the benefits of our smart meters — including providing you with easy-to-access information on your electricity usage, and to trialling specific measures to assist vulnerable customers access their usage information on a real-time basis. **[Box 10]**

In addition, we have:

- Provided clear and accessible information available on our website on how electricity prices are set – including how our network prices are regulated and how customers can get involved
- Published a Tariff Structure Statement on our website that provides clear, accessible guidance on how we decided on our proposed prices, and how our price structures and levels may change in the future.
- Published information and committed to undertaking workshops with community organisations to assist you in understanding how you can respond to our proposed maximum demand charge to take control of your electricity bill.

"Building more infrastructure to cater for one week per year does not make sense."

Residential Customers
Moonee Ponds forum, 17 September 2014

"And if you're educated as to how to best use it, it's going to be better for everybody."

"I understand the fact if you want more appliances at once you need more infrastructure.

Residential Customers
Moonee Ponds forum, 17 September 2014

BOX 10: Jemena's electricity portal empowers customer to take control of their energy decisions

We want to empower you in your energy decision making.

We have developed a powerful tool—Jemena Electricity Outlook Portal—that gives you easy access to your electricity usage. Utilising the benefits of our smart meters, you can:

- see how much electricity you are using and when you are using it—in real-time through in-home energy displays
- set savings targets and track your progress
- use your usage information to compare retail market offers and shop-around to find the best plan for you.

Figure 15: Jemena's electricity portal and advanced metering can help you take control of your energy decisions

We are working with a range of stakeholders—including community groups—to encourage our customers to take advantage of this powerful tool. You can access the portal here: *https://electricityoutlook.jemena.com.au/*

We also want to ensure that vulnerable customers in our community have easy access to information to take control of their electricity bills. Under our 2016 Plan, we will trial the installation of 500 in-home energy displays to assist vulnerable customers better understand how much electricity they are using and when they are using it in real time. We think this will assist them to better manage their electricity bills.

PROVIDING MORE ASSISTANCE TO VULNERABLE CUSTOMERS STRUGGLING TO PAY ENERGY BILLS

You told us that vulnerable customers in our community need assistance to manage their energy bills, and that we should play a role. In response, we are committed to taking the following steps:

- Making it easier for vulnerable customers to manage their electricity bills by:
  - providing clear, accessible information—including communications tailored to our increasingly culturally and linguistically diverse customer base—to make it easier for them to manage their electricity consumption, find a better retail market offer, and take advantage of any rebates that may be available to them
  - continuing to engage with our community to build vulnerable customers' energy literacy, helping them navigate the complicated energy market and take control of their energy decisions
- Assisting vulnerable customers to reduce their energy consumption by using electricity more efficiently:
  - trialling 500 in-home energy displays to assist vulnerable customers see how much electricity they are using and when they are using it in real time. **[Box 10]**
  - becoming a partner of NILS, a No Interest Loan Scheme, to help vulnerable customers access funds to replace old their electricity appliances with new, more efficient models **[Box 11]**

"The cost is very minimal, hardly worth talking about, but the assistance is very valuable."

I think it's a very good thing for Jemena to help vulnerable customers.."

Residential Customers
Moonee Ponds forum, 17 September 2014

BOX 11: NILS helps low-income customers improve their energy efficiency

The first No Interest Loans Scheme (NILS) was started by the Good Shepherd Sisters in Victoria in 1981. It offered men and women no interest loans to purchase essential household items. It aimed to:

- make cash available as a loan, not as charity
- show respect for clients by entering into a professional business relationship – a formal loan agreement
- educate clients to negotiate a loan and, importantly, create a system that would make it easy to pay it back
- charge no interest and encourage people to return the money so that their friends and neighbours may also benefit.

Since then, NILS has gone from strength to strength. The total number of loans made in the last financial year was valued at just over $18 million, with a range of schemes assisting vulnerable customers in different ways.

NILS are typically funded by partner organisations which include government departments, companies and charities.

HAVE YOUR SAY & STAY INFORMED

We welcome your views on our 2016 plan

We will keep you informed of the AER's review process and how it impacts you

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Jemena
bringing energy to life