

Ed Chan
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Via electronic submission

31 January 2017

Jemena Limited
ABN 95 052 167 405

Level 16, 567 Collins Street
Melbourne, VIC 3000
PO Box 16182
Melbourne, VIC 3000
T +61 3 9173 7000
F +61 3 9173 7516
www.jemena.com.au

Dear Ed

EPR0050: Electricity Network Economic Regulatory Framework Review – Approach Paper

Jemena welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (**Commission**) Electricity Network Regulatory Framework Review Approach Paper (**Paper**).

Jemena owns a regulated electricity distribution network which serves 320,000 customers in north west Melbourne, and has part ownership of the United Energy and ActewAGL electricity distribution networks. We also own gas distribution and transmission assets throughout eastern and northern Australia. We continue to monitor trends in our energy market and developments in the electricity network regulatory framework, and therefore have a keen interest in the Commission's approach to undertaking its Framework Review.

The pace of change—technological, customer and, increasingly, regulatory—occurring in our energy market is growing rapidly. A large number of market and regulatory reviews, studies and rule change proposals are currently being progressed by a range of institutions. It is therefore timely and appropriate to consider these changes occurring in the market to help inform the strategic policy agenda of the Council of Australian Governments (**COAG**) Energy Council. We have provided feedback on various aspects of the Paper below.

The Paper proposes a question to guide the Commission's overall approach in preparing its Framework Review reports—'does the economic regulatory framework allow and incentivise networks to adapt to the extent necessary to changes in the market, including increased decentralised supply?' We consider the focus of this guidance on the incentives provided by the regulatory framework is an appropriate one, reflecting a fundamental design feature of the framework.

We consider one key part of analysing the effectiveness of the broader existing framework in the face of trends such as the increasing uptake of decentralised energy will be to examine the efficiency and effectiveness of key changes made in recent years to the regulatory framework.

This should include reviewing the operation of and outcomes driven by significant rule changes in practice, which could help guide future policy and regulatory development priorities and implementation. Where particular issues with a recent rule change are identified, the Commission may wish to specify, as appropriate, any 'lessons learnt' which may be relevant to future processes, or to make recommendations to the COAG Energy Council on any further actions which may be required. In this respect, we welcome the Paper's identification of network pricing reform as one of the three priority issues to be covered in this year's report.

Furthermore, in future years, the report could examine trends and frameworks' responses in other jurisdictions and compare these against Australia. These international insights and comparisons could prove a valuable source of information for Australian policy-makers, regulatory bodies and industry participants.

Although we acknowledge that the terms of reference for the Framework Review focus on electricity only, there are strong and increasingly important links between Australia's electricity and gas markets. We therefore encourage the Commission and the COAG Energy Council to use the Framework Review to also consider the impacts of trends on the gas network economic regulatory framework as issues of commonality arise from time-to-time.

For example, although the take-up by customers of decentralised generation technologies such as solar PV and co- or tri-generation have drawn significant attention from regulators and policy-makers regarding their impacts on electricity markets, they are also driving change in gas markets which may necessitate the consideration of questions regarding the gas network regulatory framework in the future.

Finally, we agree with the Commission's proposed approach of utilising existing data sources, minimising additional reporting costs and burdens on industry participants. Where possible, issues should be examined from a customers' point of view, asking whether customers' needs are being met efficiently, consistent with the National Electricity Objective. The views of customers on relevant matters could be captured from engagement undertaken by network businesses or consumer advocacy bodies such as Energy Consumers Australia.

We would welcome the opportunity to discuss this feedback and any other related matters further, and we look forward to the publication of the Commission's inaugural report. Should you have any questions, please contact me on (03) 9173 8231 or at matthew.serpell@jemena.com.au.

Yours sincerely

[Signed]

Matthew Serpell
Manager Asset Regulation and Strategy