

Engaging with our customers in Jemena's gas & electricity network price reviews

Robert McMillan
general manager regulation



How we designed our consumer engagement

Who?



How?



What?



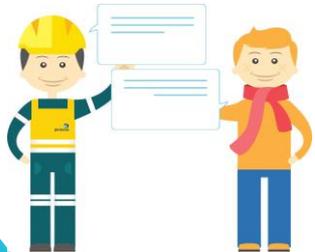
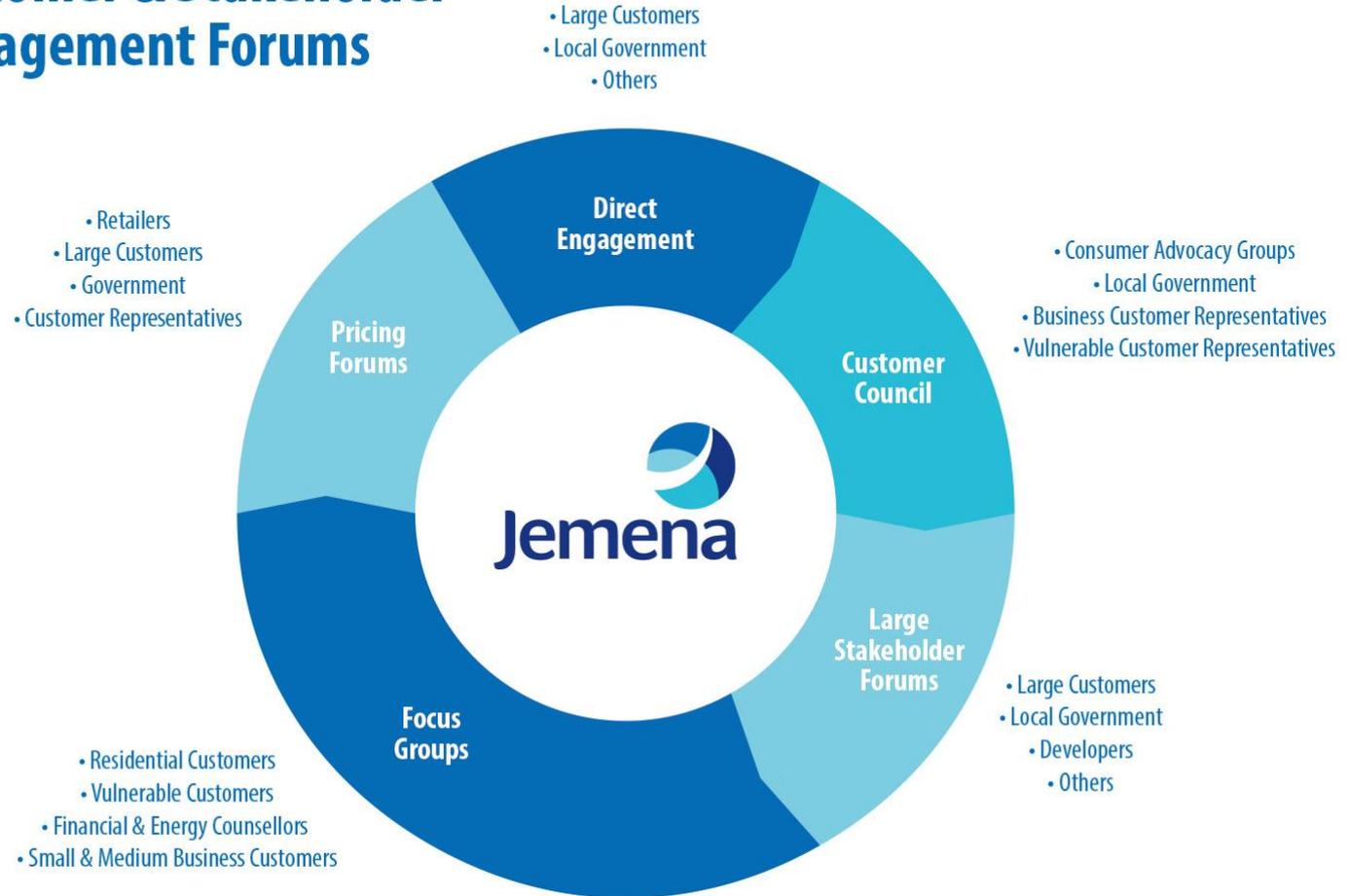
How we designed our consumer engagement

Who?

Customer & Stakeholder Engagement Forums

How?

What?



How we designed our consumer engagement

Who?

How?

What?



Our consumer engagement shaped our proposals



JGN



Simpler pricing

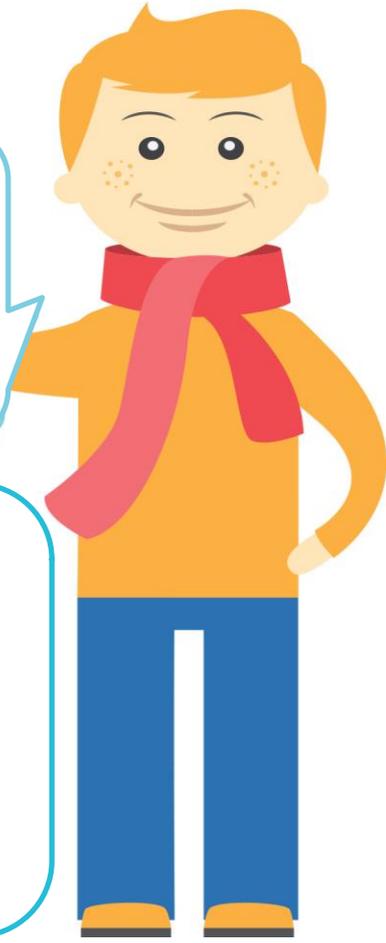
3 fixed charges to 1
Minimise fixed charge
Declining block (~bulk buying)



Our consumer engagement shaped our proposals



End-retail prices
matter to me



Shape our 5-year
price path to offset
expected wholesale
gas price increases
= smoother retail
prices



JGN

Our consumer engagement shaped our proposals

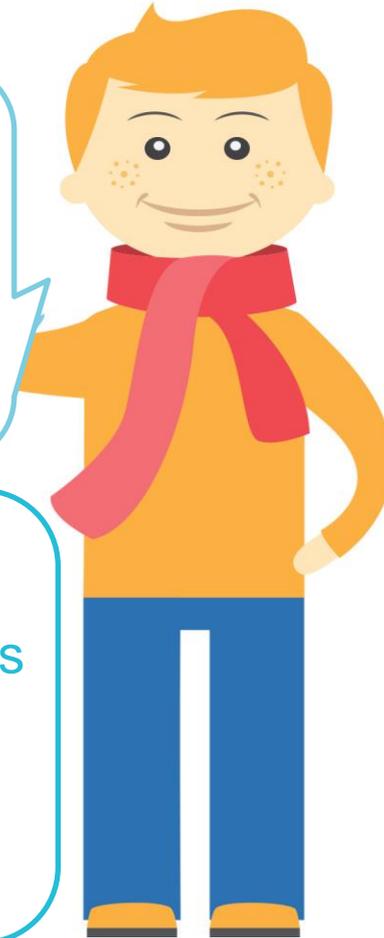


JGN



Why can't I take gas at a new boundary and then pass energy on to end customers?

3 new boundary tariffs offered with discounted prices



Our consumer engagement shaped our proposals



If tariff reform has social benefits, let's have them ASAP

Sped up our transition to cost reflective prices
Could do this by using price path do offset customer impact



Our consumer engagement shaped our proposals



It's easier for us to understand if Victorian distributors align tariff design as much as possible

All Vic DB's likely to propose:

Monthly maximum demand charge

Charging window of 3pm-9pm



Our consumer engagement shaped our proposals



Some customers struggle to pay their bills, how will you assist?

Assistance to replace appliances and obtain in-home displays

Improved communications



How our consumer engagement has evolved—Case study, JEN pricing information

TABLE OF CONTENTS

- 1. Introduction
 - 1.1 Submission purpose
 - 1.2 JEN's pricing
 - 1.3 Submission structure and rule compliance
 - 1.3.1 Pricing model
 - 1.3.2 Specific rule compliance
 - 1.3.3 Submission values and terminology
 - 1.4 Distribution Network Pricing Arrangements rule change
- 2. Tariff classes
 - 2.1 JEN's tariff classes
 - 2.1.1 Rule requirements
 - 2.1.2 Distribution use of system services
 - 2.1.3 Alternative control services
 - 2.2 Setting efficient tariff classes
 - 2.2.1 Rule compliance
 - 2.2.2 Economically efficient customer group
 - 2.2.3 Avoiding unnecessary transaction costs
- 3. Efficient price bounds
 - 3.1 Rule requirements
 - 3.2 Stand alone costs
 - 3.2.1 JEN stand alone cost estimation
 - 3.2.2 Stand alone cost estimates
 - 3.3 Avoidable costs
 - 3.3.1 JEN avoidable cost estimation
 - 3.3.2 Avoidable cost estimates
 - 3.4 Summary of Rule compliance
- 4. Pricing parameters and tariffs
 - 4.1 Pricing Objectives
 - 4.2 Rule requirements
 - 4.3 Long run marginal cost
 - 4.3.1 LRM estimation
 - 4.3.2 JEN's LRM estimates
 - 4.4 Other relevant pricing principles
 - 4.4.1 Transaction costs
 - 4.4.2 Customers' ability to respond to price
 - 4.4.3 Recovery of approved building block
- 5. Distribution Price Variations
 - 5.1 Rule requirements
 - 5.2 Price variation elements
- 6. Expected DUOS price trends
- 7. Transmission costs, pass throughs and jurisdictional
 - 7.1 Tariff variation for pass throughs
 - 7.1.1 Rule requirements
 - 7.1.2 Potential tariff variation for pass through
 - 7.2 Transmission use of system recovery
 - 7.2.1 Rule requirements
 - 7.2.2 Transmission use of system tariffs
 - 7.3 Jurisdictional scheme recoveries

New fairer electricity network prices for our customers

We're changing the way our electricity network prices are designed to make them fairer

Over the next 5 years, we plan to update the structure of our network prices - to reflect changes in the way customers use our network, and to encourage more informed energy decision making that will help reduce our prices over the long term. We have consulted extensively to inform this new pricing approach.

Currently, our electricity network charges for residential and small business customers include a fixed charge, plus a usage charge that depends on the amount of electricity drawn from the network during the month.

What's changing?

From 2018, we will introduce an additional charge - a maximum demand charge - that will depend on the maximum amount of electricity drawn in any half hour period between 10am and 8pm on weekdays during the month. Our current charges (fixed and usage) will be reduced to ensure we do not earn any extra money.

We will progressively move toward this way of charging. The maximum demand charge will start at around 8 per cent of an average customer's total electricity bill in 2018 and move to around 16 per cent once we have fully transitioned.

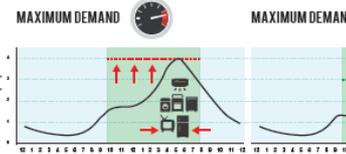
How can I make these new prices work for me?

Because we charge your retailer these prices and then your retailer bills you, the design of the actual price by your retailer and may vary depending on the offer you've signed up for. However, in general, there are ways you can reduce your home's impact on the network and help keep costs down for everyone.

Spread or shift your appliance use

Stacking appliances - using many in the same half hour - is what drives higher maximum demand. Duri everyone needs to use the network the most (10am to 8pm weekdays), you can spread out your use of it over your maximum demand.

Rather than using several large appliances in the same half hour, you can use them one after the other to reduce your maximum demand. Or, if you can shift the time when you use an appliance outside the window of 10am to 8pm weekdays, it won't increase your maximum demand at all.



You may not be aware - the company that delivers electricity to more homes and businesses in Melbourne.

We own and maintain the poles and wires and meters that deliver electricity distribution across Melbourne.

We charge your energy services, and your retailer bills you for the electricity you use.

Our network charges make up a typical household electricity bill.



Important information for residential customers.

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

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.

OUR PRICES (NETWORK BILLS) MAKE UP



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

2015 (TOTAL \$64*)

FIXED CHARGE \$252 + USAGE CHARGE \$312

FROM 2018 (TOTAL \$433*)

FIXED CHARGE \$114 + USAGE CHARGE \$236 + MAX DEMAND CHARGE \$83

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 between 3pm and 9pm on Monday to Friday (work days). We call this your 'maximum demand'.

Your highest electricity use in any 30 minute block at peak times, between 3pm and 9pm work days, calculated every month.

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

How our consumer engagement has evolved— Customer accessibility

2011 JEN regulatory proposal



