



2026-31 EDPR Regulatory Proposal Overview

January 2025

Foreword

As Australia continues to transition its energy systems over the coming decades, it is important that energy businesses, such as AusNet, fulfil their societal roles by delivering safe, reliable, and affordable energy to their communities and customers.

Here at AusNet, we believe it essential to share our plans with our communities and customers, so that they may better understand and shape our priorities, activities and future investments. This document is a summarised version of the full 2026-31 proposal for our electricity distribution network that we are submitting to the Australian Energy Regulator. It reflects our vision to be trusted to bring the energy today and build a cleaner tomorrow, it illustrates how we intend to keep communities and customers at the centre of our business, and how we will meet our various regulatory requirements.

We acknowledge that many customers continue to struggle with energy affordability. We have developed our plans with this top of mind and have taken on board feedback to help strike the balance between service level improvements and affordability. We are confident that this proposal reflects the guidance that has been fed back to us.

The next five years will continue to bring significant changes for electricity networks. As the energy transition gathers pace, we've worked hard to understand what customers expect from us and how we can better meet their needs. Personally, I've greatly valued the opportunity to participate in a range of engagement activities, which have provided invaluable insights into what matters most to our customers and communities.

I want to thank everyone who has shared their thoughts and helped shape this plan. We look forward to continuing to work closely with our communities, customers, and the regulator, as we move through the next phase of consultation and beyond.



David Smales
Chief Executive Officer, AusNet

Our focus is to deliver a safer, stronger, more resilient network for our customers and communities, not only for today but also for the future.

We are making new commitments in our 2026-31 proposal to improve how we support our customers and communities, and we're putting in place stronger measures to keep us accountable to delivering them. A key part of this accountability will be increased engagement with our Customer Consultative Committee, who will help us stay focused on achieving for customers and play an important role in guiding our decision-making and holding us to account.

The February 2024 storms were a stark reminder of the increasing challenges posed by extreme weather events. Over the past year, I've spent significant time in communities right across our network and participated in engagement activities to support the development of this proposal. Hearing directly from customers affected by frequent and prolonged outages has reinforced the urgency of our plans to strengthen the network and improve our operational responses when outages do occur.

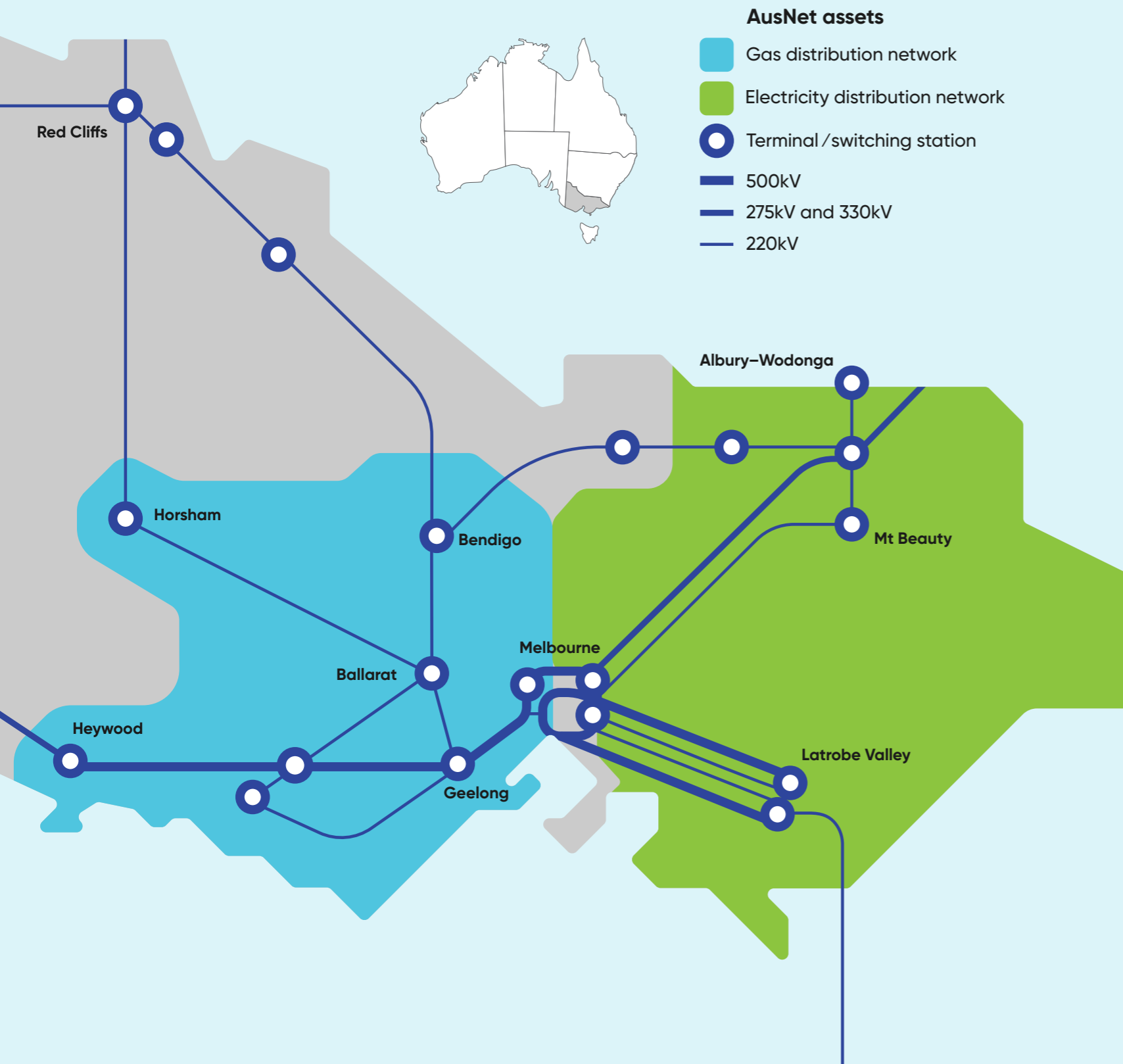
This proposal lays out how we plan to deliver a safer, stronger and more resilient network, while carefully managing costs to deliver value-for-money and affordable services to our customers. It reflects extensive customer and stakeholder feedback, which has been vital in shaping our forward plans.

We remain fully committed to supporting our customers and communities as we navigate the challenges ahead, and I look forward to continuing these important conversations.



Andrew Linnie
Executive General Manager, Distribution

Location of our networks



▲ Figure 1 | AusNet network map

About AusNet

We own and operate an electricity distribution network that covers over 80,000 square kilometres of eastern and north-eastern Victoria and Melbourne’s north and east (see Figure 1) and supplies electricity to over 802,000 households and businesses.

The physical and environmental characteristics of our network location pose significant challenges to supplying reliable electricity and impose higher costs on our business than other networks. These characteristics include:

- challenging steep terrain, physically separated by the Great Dividing Range
- a largely rural network: 90% of our powerlines run through regional areas. 29% of feeders have very low customer density, averaging <10 customers per 1km of powerline
- vulnerability to extreme weather, with 80% of our network in high bushfire-risk areas, widespread dense and tall vegetation, flood risks and a history of major storms
- ageing infrastructure, with assets on average within the last ~40% of their service life.

Looking out to 2026-31 Changes forecast

Key highlights from demand forecasts here (with more in appendix)

- 76,875 new properties connected (1.7% growth per annum)
- 75% network utilisation forecast
- 260,000 homes becoming all-electric
- 1.77GW of renewable energy connecting
- 244,000 electric vehicles
- 18% growth in peak demand

Our proposal focuses on the distribution and metering components of customers’ overall electricity bill, which for the average household is around 36%.

Our activities can impact (positively or negatively) the prices customers pay for other parts of their electricity bill, or costs incurred or saved in other areas. These interactions have been carefully considered in our planning process to help increase overall value for money and affordability for AusNet customers.

Our 2026–31 plans are designed to meet customers' expectations and changes in our operating environment and obligations

Our plans specifically address the key themes we heard through our engagement. In September 2024, we published and promoted a Draft Proposal for feedback. The feedback showed we had generally struck the right balance between cost and service level from both a value and affordability perspective.

We did not (and were not expecting to) achieve 100% satisfaction or agreement with any or all aspects of our proposal, but for the overall proposal and specific elements within, feedback was largely neutral to positive with small numbers of customers willing to accept lower levels of service for lower prices and small numbers requesting higher levels of service with a willingness to pay more for them.

Prioritising energy affordability and value for money	Delivering reliable and safe electricity
<p>have always been and remain important. While the energy transition may lower household energy costs in time, we know it's important to keep our network charges as low as we can while delivering the service levels our customers expect at a price they are willing to pay.</p> <p>We know no one wants to pay more than they need to for electricity, but we have not received any consistent feedback on areas customers would accept us cutting back on proposed service levels. Generally, there is very low appetite for cuts to the proposed service levels.</p> <p>Our proposal delivers flat bills for residential customers (excluding inflation) based on:</p> <ul style="list-style-type: none"> robust quantitative measurement and testing of the value customers place on service improvements (or degradations) a thorough top-down assessment to identify synergies and areas to save deferring investment in areas that won't significantly impact customers' experience. 	<p>including during extreme weather events. Households and businesses see value in us doing more to reduce the frequency and severity of unplanned outages, which are almost always inconvenient and can cost them. The level of funding we are proposing is to meet compliance requirements, maintain similar reliability levels for most customers with uplifts for our worst-served customers, and investments to better prepare for, and respond to, extreme weather events.</p> <p>Our proposal includes¹:</p> <ul style="list-style-type: none"> \$1,285m to maintain safety and reliability and meet compliance obligations by replacing aging assets on our network \$121m on a novel proposal to improve reliability for customers that are worst-served. This includes \$25m to upgrade the 10 least reliable feeders and \$96m for a new Regional Reliability Allowance to address reliability challenges that emerge over time. \$264m to make the network more resilient to extreme weather and \$16m to reduce the impact of outages to communities when they happen. \$27m on a new Benalla to Euroa express feeder, improving reliability for customers in the area by 74%. \$38m to manage power quality on the network, consistent with our voltage management obligations. <p>Our investment plans reflect customers' willingness to pay, using data from our recent Quantifying Customer Values (QCV) research for residential customers and the AER's 2023 Values of Customer Reliability (VCR) for non-residential customers.</p> <p>In December 2024, the AER published updated Values of Customer Reliability. For residential customers, these values are substantially higher than the previous values from 2019, and broadly in line with our QCV data. Our investment plans will improve reliability in line with the AER's latest data on willingness to pay to avoid outages.</p> <p>Due to timing, we have not applied the AER's new VCRs to plan our investments. We will consider the implications of the new VCRs for our investment plans in our Revised Proposal.</p>

Key

- Remains a high priority for customers
- New in the last 5 years
- Become more important in the last 5 years

Continuously improving customer service	Innovating to find better, more efficient ways to do things
<p>across all existing and new interactions. Customers expect us to improve the efficiency and quality of their interactions with us.</p> <p>Our proposal includes²:</p> <ul style="list-style-type: none"> \$49m for maintenance and upgrades to customer-facing platforms to address known customer frustrations with service continuity and accessibility, including more self-service options to make customers' interactions with us faster and easier \$11m for customer relationship managers to support large employers, councils and communities an updated set of commitments to customers, with governance arrangements a customer service incentive scheme (CSIS) that rewards or penalises us up to 1% of our revenue per year, based on customer satisfaction. 	<p>Including using new technologies.</p> <p>Our proposal includes:</p> <ul style="list-style-type: none"> \$19m³ for innovation programs over 5 years (double today's spending) while maintaining the strong customer-led governance arrangements, including an Innovation Advisory Committee.
Preparing for net zero	A fair and equitable transition
<p>by ensuring the network can support rooftop solar, large renewables and electrification of transport and gas.</p> <p>Our proposal includes⁴:</p> <ul style="list-style-type: none"> \$431m (including \$149m to address constraints in the LV network) to accommodate the 13% growth in summer peak demand and 18% growth in winter peak demand from customers using more electricity, including those going all-electric on gas and transport, and electric vehicle charging \$194m to enable generation and storage to efficiently connect to the sub-transmission network. 	<p>for all, to look after those at risk of getting left behind.</p> <p>Our proposal includes:</p> <ul style="list-style-type: none"> reducing the reliability gap between metropolitan and regional customers flexible solar export limits for all new systems, giving solar customers equal opportunity to send their excess generation back to the grid adding a cheap 'solar soak' period (11am–4pm) to the residential time of use tariff, enabling all customers to benefit from solar, reducing cross-subsidisation and increasing network utilisation taking a "technology neutral" approach to network planning and tariffs to support innovation and efficient outcomes advocacy commitments – to deliver the outcomes customers want through the energy transition.
Building customers' agency	Staying accountable
<p>by supporting them through change and helping them make decisions in their long-term interests.</p> <p>Our proposal includes:</p> <ul style="list-style-type: none"> \$5m⁵ for communications and education to: build customers' ability to engage with tariffs (and save money) make communications more reliable, accessible, specific and accurate. 	<p>and including "safeguards" in the Proposal to support revenue being spent appropriately, emerging customer priorities are being addressed and anticipated benefits are realised. This was identified as a key priority for many of our customer panels.</p> <p>This means a bigger role for our Customer Consultative Committee, who we will report to on progress and collaborate with on many key decisions, such as allocation of the Regional Reliability Allowance and outcomes achieved.</p> <p>Existing governance, including the Innovation Advisory Committee and public reporting via our annual Energy Charter Disclosure will remain.</p>

¹ Values include overheads and are expressed in real 2025–26 terms.

² Values include overheads and are expressed in real 2025–26 terms.

³ Made up of \$8m opex and \$12m in capex (does not add due to rounding). Values include overhead and expressed in real 2025–26 terms.

⁴ Values include overheads and are expressed in real 2025–26 terms.

⁵ Expressed in real 2025–26 terms.

Our plans have been shaped by over 390 hours of engagement, and the voices of 16,000 people

<p>Our Coordination Group and six customer and advocate panels spent over 240 hours together engaging on the overall proposal and the best cost vs service level on specific elements important for customers.</p>	<p>Coordination Group</p> <p>Focused on:</p> <ul style="list-style-type: none"> key proposal elements not captured by Panels synergies and conflicts between panel streams writing an independent report on our draft proposal. 	<p>Electricity Availability Customer Panel</p> <p>Focused on:</p> <ul style="list-style-type: none"> resilience to climate change planned outages general reliability standards improving reliability for worst-served customers power quality (voltages).
	<p>Customer Experience Customer Panel</p> <p>Focused on:</p> <ul style="list-style-type: none"> Customer Service Incentive Scheme minimising the impact of planned and unplanned outages on customers fit-for-purpose service for all communications and customer service channels connection processes. 	<p>Benchmarking and Opex Customer Panel</p> <p>Focused on:</p> <ul style="list-style-type: none"> opex approach, including choice of base year, step changes and trend parameters benchmarking methodologies and performance.
<p>Tariffs And Pricing Customer Panel</p> <p>Focused on:</p> <ul style="list-style-type: none"> fair revenue allocation tariff and customer outcome relationship tariffs in the transition to net zero building customer agency on tariffs principles for good tariff design and pricing objectives. 	<p>Research and Engagement Panel</p> <p>Focused on:</p> <ul style="list-style-type: none"> collaborating on the Quantifying Customer Values research design collaborating on the key design elements of the 20 customer workshops interviewing 26 customers to gather their own independent insights to help fill gaps and identify blind-spots in our engagement collaborating on our new Customer Satisfaction (C-Sat) tracker design. 	<p>3 X two-day all-panel forums</p> <p>At key stages in July 2023, March 2024 and August 2024 to:</p> <ul style="list-style-type: none"> give panel members a whole-of-proposal view, allowing them to make trade-offs between investment areas and understand bill impacts connect our Panels with different parts of our distribution area, customers, network infrastructure and staff.

<p>Extensive research and engagement allowed us to hear many voices on a wide variety of topics and informed the Panels' discussions.</p> <p>We've spent a further 150 hours on broad engagement, hearing from more than 16,000 customers.</p>	<p>20 customer workshops</p> <p>Met four times across five locations: Morwell/Traralgon, Wangaratta, Epping and online. Topics mirrored the Panels' discussions and followed the Proposal planning.</p>	<p>Large customer engagement</p> <p>Via one-on-one meetings and a forum to discuss key aspects of the proposal and implications for large customers.</p>
<p>Council forums</p> <p>Two forums focusing on the overall proposal and public lighting.</p>	<p>2 x Joint Victorian Networks Framework and Approach Forums</p> <p>Two forums with customer advocates engaging on services Victorian distribution networks will offer in 2026-31, and how services are charged.</p>	<p>Joint Victorian Networks Resilience Forum</p> <p>Held with councils, emergency services, social service organisations and others to help inform state-wide approaches to resilience planning.</p>
<p>3 x Joint Victorian Networks Tariffs Forums</p> <p>Held to develop Victoria-wide approach to tariffs and tariff principles. Forums were attended by customers, their advocates, retailers and other stakeholders with an interest in tariffs.</p>	<p>3 x Joint Victorian Networks Vulnerability Forums</p> <p>Held with social service organisations to explore current and emerging issues facing various cohorts of customers and discuss opportunities for joint network initiatives.</p>	<p>Customer segmentation research</p> <p>Analysed how customers are using electricity to improve our demand forecasts and help us plan the network and investments needed to support our customers' usage with greater accuracy.</p>
<p>Quantifying Customer Values research study</p> <p>Quantified the value customers place on a benefits that are not currently in investment evaluations. Survey of 3,527 customers, and qualitative research with 120 customers to inform the survey design.</p>	<p>Energy Sentiments research</p> <p>Tracks how customers feel about AusNet, a range of energy-related matters, appliance use and purchasing trends. Questions are high-level and designed to monitor general sentiment for changes over time and informed a range of discussions.</p>	<p>Customer Satisfaction (C-Sat) research</p> <p>Tracks customer satisfaction with planned outages, unplanned outages, new connections and complaints. It tells us where we are and are not meeting expectations and helps us prioritise improvements.</p>
<p>Published and engaged on a Draft Proposal</p> <p>More than 16,000 customer's views, 130 hours of broad engagement, plus over 230 hours of deep engagement with our Customer Panels and Coordination Group.</p> <p>Promotion of the draft proposal reached over one million customers.</p> <p>The purpose of this step was to make customers aware of the opportunity to provide feedback, and "stress test" the draft proposal with the feedback received.</p>	<p>And more, including but not limited to:</p> <ul style="list-style-type: none"> Engaging with our business-as-usual committees, including the Customer Consultative Committee, Innovation Advisory Committee, Developer Consultative Committee and Strathbogie-Benalla Community Group Sharing insights from our day-to-day work, including meetings with large customers and community groups Research studies on: <ul style="list-style-type: none"> the distribution generator connections process direct costs incurred by customers during long-duration outages communications campaigns community energy digital energy futures. 	

Our proposed prices and revenue

While our proposed investment plans are significantly above current spending levels, they reflect several new investment drivers and are underpinned by a comprehensive research and engagement program to demonstrate customers want (and are willing to pay for) uplifted service levels, robust cost-benefit analyses, and a sound deliverability plan. Market-driven cost pressures for labour, materials and other inputs are also contributing to higher capital expenditure requirement in 2026-31.

Despite our rising investment needs, our plans will deliver stable bills, with all customers benefiting from increasing network utilisation, as the largely fixed costs of operating, maintaining and upgrading the network are spread across growing bases of customers and energy consumption.

We know nobody wants to pay more than they need to for network services. Accordingly, our planning process focused on balancing the need to uplift service levels to support customer priorities outlined on pages 9-11 and meet our safety and compliance obligations, while keeping bills down in 2026-31.

Getting this balance right has been a key focus of our engagement program.

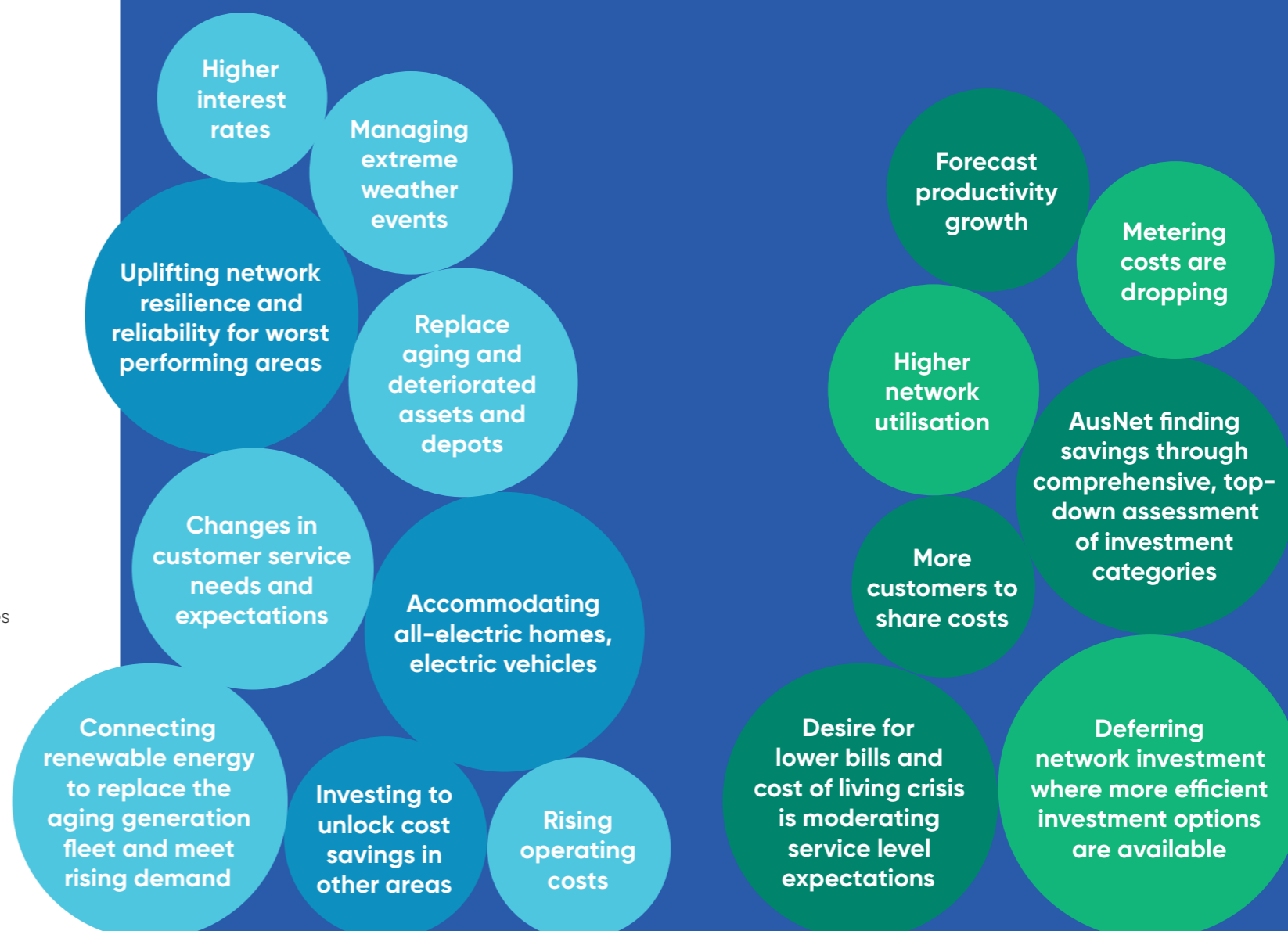
What our proposal means for our customers' bills

Estimated bill impacts for the average household and business in each group is below. This shows the total change between today and 2031 and shows bills will stay flat in real terms (that is, without inflation). The year on year change will be far smaller than the changes included in this table.

Households		Businesses		
Household with gas and no electric vehicle	All-electric household with electric vehicle	Small (<40MWh)	Medium (40-160MWh)	Large (>160MWh) business
▼1.2%	▲0.5%	▼0.3%	▲2.1%	▲2.1%
▼\$9	▲\$5	▼\$4	▲\$199	▲\$661

▲ Figure 2 | Change in network charges (including metering) between now and 2031, without inflation

▼ Figure 3 | Factors putting upwards (and downwards) pressure on prices



▲ Pushing electricity bills up

Pulling electricity bills down ▼

Result = flat prices

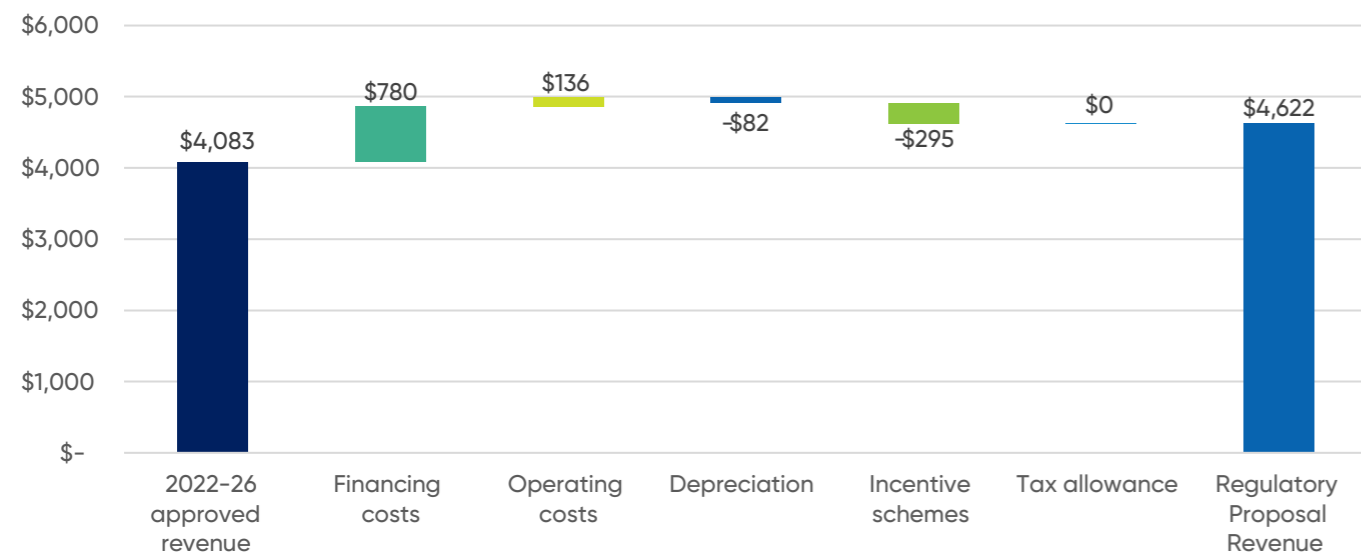
Source: AusNet



An overview of the proposal components

The chart below shows the movements in the regulatory building blocks that form our proposal case, compared to the current regulatory period.

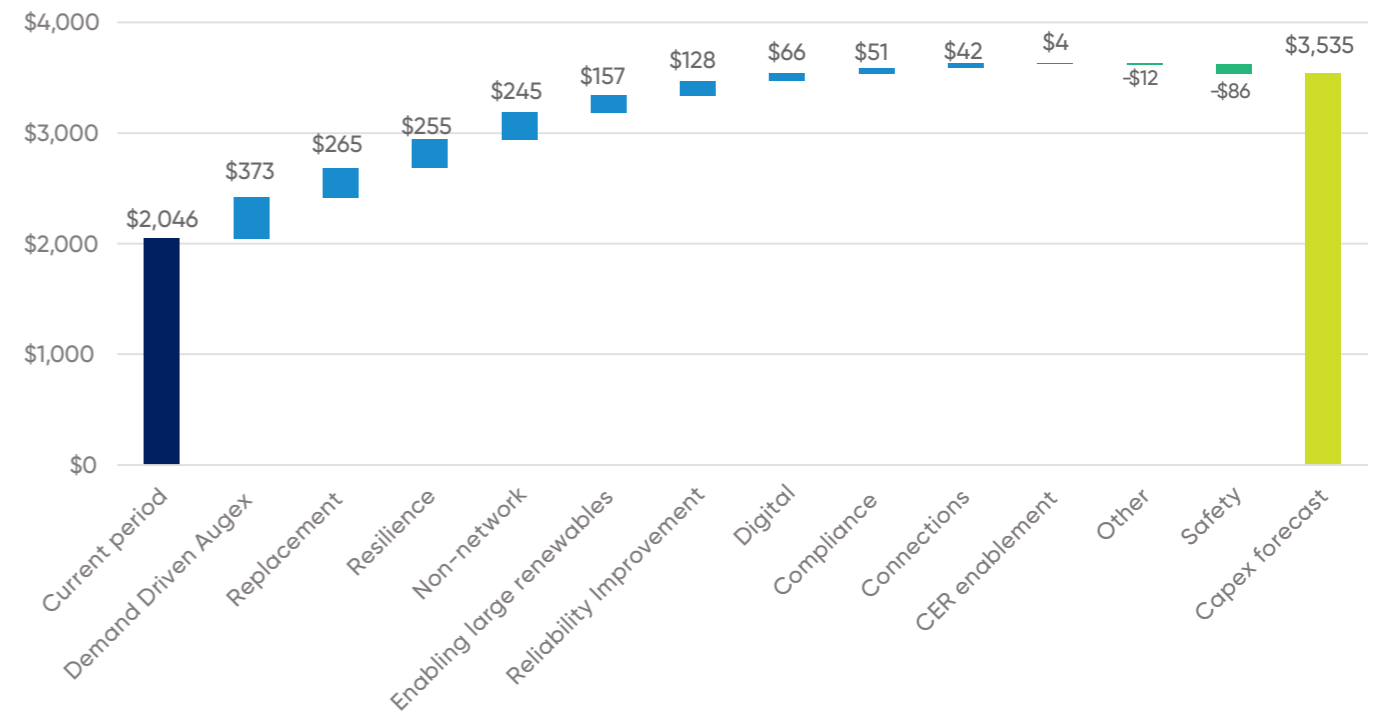
▼ **Figure 4** | Actual, expected and forecast capital expenditure by driver (\$m, real 2025-26)



Our revenue requirement increased by 13% between 2022-26 and 2026-31 due to:

- revenue increases related to:
 - increased **financing costs**, reflecting higher interest rates and our larger capital program
 - increased **operating costs** needed to meet new obligations, evolving customer needs and manage a growing network and customer base.
- revenue decreases related to:
 - decreased **incentive scheme** payments, reflecting a large, planned overspend of our current period capital expenditure allowance
 - decreased **depreciation**, reflecting higher expected inflation and a reduction in the accelerated depreciation of specific assets approved at the last price review.

▼ **Figure 5** | A comparison of our expected capex in 2021-26 with our 2026-31 capex forecast, by driver (\$m, real 2025-26)



Source: AusNet

Note: Net capex forecast (\$3,535m) is prior to asset disposals. Net of asset disposals, forecast capex is \$3,496m and 72% above current period expected capex.

The figure above summarises the proposed changes in key investment drivers over the 2026-31 regulatory period compared to expected capex in the current period.

There are interrelationships between elements of our expenditure proposal

We looked for overlaps and synergies between our programs for the 2026-31 regulatory period, especially where there may be work at the same location or an upgrade or replace of the same asset.

Through detailed analysis across the proposed projects and programs, we've found and removed \$42 million in overlapping costs, demonstrating our commitment to prudence and efficiency when developing our forecasts and helping keep prices low for customers.

We have been conscious on getting the most out of our existing network to manage demand growth and minimise the need for network upgrades, which is particularly important in a cost of living crisis. We currently have the joint-second highest utilisation rate in the National Electricity Market (NEM). This reflects several factors unique to AusNet and our Victorian peers, including our long-standing probabilistic planning practices, smart meter data giving us visibility to better plan investments, and tariff innovation – we were the first network in the NEM to introduce a Critical Peak Demand tariff for large customers, a program that still runs successfully today.

We will continue to increase the utilisation of our assets, from around 60% in 2023 to more than 75% in 2031. However, even with probabilistic planning and as utilisation grows, network augmentation is still required to address growing demand and maintain reliability across our network.

Our capex and opex plans are outlined in sections 6 and 7 of the proposal. Appendix A provides more detail on our capex plans, and Appendix B includes more detail on opex.

Our costs are efficient

The AER assess our capex and opex efficiency every year. There are many benchmarking approaches they use to get insights into different aspects of our performance. The AER's latest benchmarking report shows that our opex base year, which is the starting point for our opex forecast, is efficient. Further information on our benchmarking and validation performance is included throughout our proposal.

Electricity networks are all very different and particular attention needs to be given to the interpretation of benchmarking results – taking account of network-specific factors that affect the headline results. There are many unique factors in our operating environment that influence our benchmarking performance, including a higher proportion of residential customers, lower customer density and challenging terrain.

What is a tariff?

A "tariff" is how we charge a retailer for the services we provide to our customers. The tariff can be made up of different components such as fixed charges, usage charges or demand charges. The total network charges for any particular customer will depend on their assigned network tariff and their network usage.

Tariffs

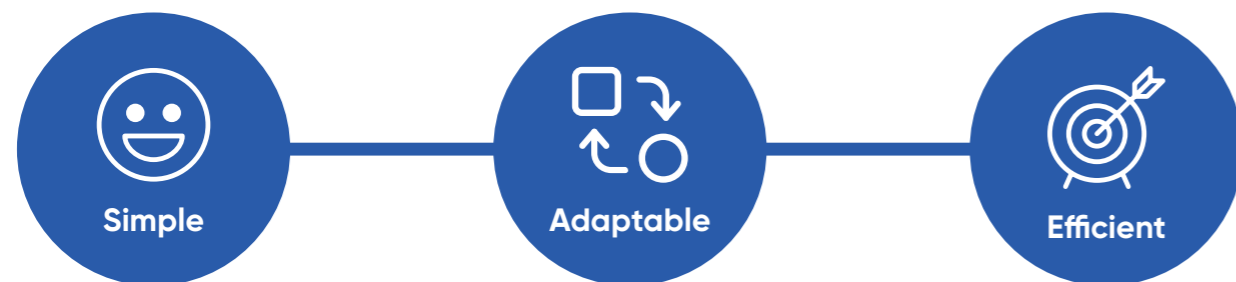
Our tariff structure statement (TSS) sets out our proposed tariffs, charging structure and the policies and procedures for assigning or reassigning customers to particular tariffs. The TSS is a standalone document, submitted alongside our Proposal to the AER.

Tariffs play an important role in our network planning, sending price signals to customers for overall system efficiency. Summer maximum demand is expected to grow by 13% in 2026-31, with demand records broken each year. Although rooftop solar has helped bring down peak demand in spring, summer and autumn, powering electric vehicles and replacing gas appliances with electric ones will put extra pressure on the network, especially in winter. A lot of rooftop solar energy is not being used and customers could be getting more value from their investments.

Having the right tariffs in place to better match electricity being produced can help reduce network investment and keep bills down. Educating customers about tariffs is a critical piece of the puzzle – our plans for 2026-31 include a step-up in tariff communications to help customers realise these benefits.

For our residential and business customers (consuming 40MWh per year or less), all Victorian electricity distribution businesses, including AusNet, have an aligned position on tariffs. Our tariffs proposal is largely informed by the Victorian Government's preferences, and the aligned approach is to help simplify tariffs so they can be understood and benefitted from.

Our tariffs are designed to meet the following pricing objectives:



Network tariffs should be simple and consistent, and readily understood by retailers, customers and stakeholders.

Network tariffs should incentivise customer behaviours that make network costs more affordable and equitable in the long term.

Network tariffs should be capable of being evolved for future network configurations and emerging technologies, consistent with a net zero emissions future.



Changes proposed for residential customers:

- updating the residential time of use tariff structure to incorporate a daily solar soak period of 11am-4pm and a peak period of 4pm-9pm local time
- keeping our single-rate tariffs
- introducing a new residential consumer energy resource (CER) tariff, allowing eligible residential customers to opt in and out
- closing the residential demand tariffs due to low uptake from residential customers.

Our tariff assignment policy will remain unchanged for 2026-31. We will continue to allocate the following customers to the time of use tariff:

- new connections (i.e. new homes connecting to the network for the first time, not re-energisations)
- customers who choose to upgrade from single-phase to three-phase supply
- customers who install solar or home batteries
- customers with an electric vehicle (EV) charger with a specified capacity or charging rate of 3.6kW or more.

We will also introduce a new dedicated circuit tariff⁶ with updated time periods to replace the existing residential dedicated circuit tariffs. The existing circuit tariff will close and we will reassign all existing residential customers to the new circuit tariff.

We are not proposing any changes to small businesses on the existing tariffs, and the assignment and reassignment rules from the 2021-26 regulatory period will carry over into the 2026-31 regulatory period.

For business customers consuming more than 160 MWh per year, we are proposing the following changes:

- Increase the flexibility in the number of days we call a critical peak demand (CPD) day as required under our CPD tariff structure
- closing older single rate and time of use tariffs and reassigning to new transitional CPD tariffs to gradually transitioning to our standard CPD tariffs
- introducing new CPD locational tariffs individually calculated (passing through direct costs) for new high voltage and sub-transmission customers with demand greater than 10 MVA and 25 MVA.

An explanation of the interrelationships between tariffs and other aspects of the proposal are in the Appendix.

⁶ Our dedicated circuit tariffs have typically been used for hot water systems, but may be extended to flexible loads such as loads from EV charging or slab heating in the 2026-31 regulatory period.



Appendix

A. More detail on capex

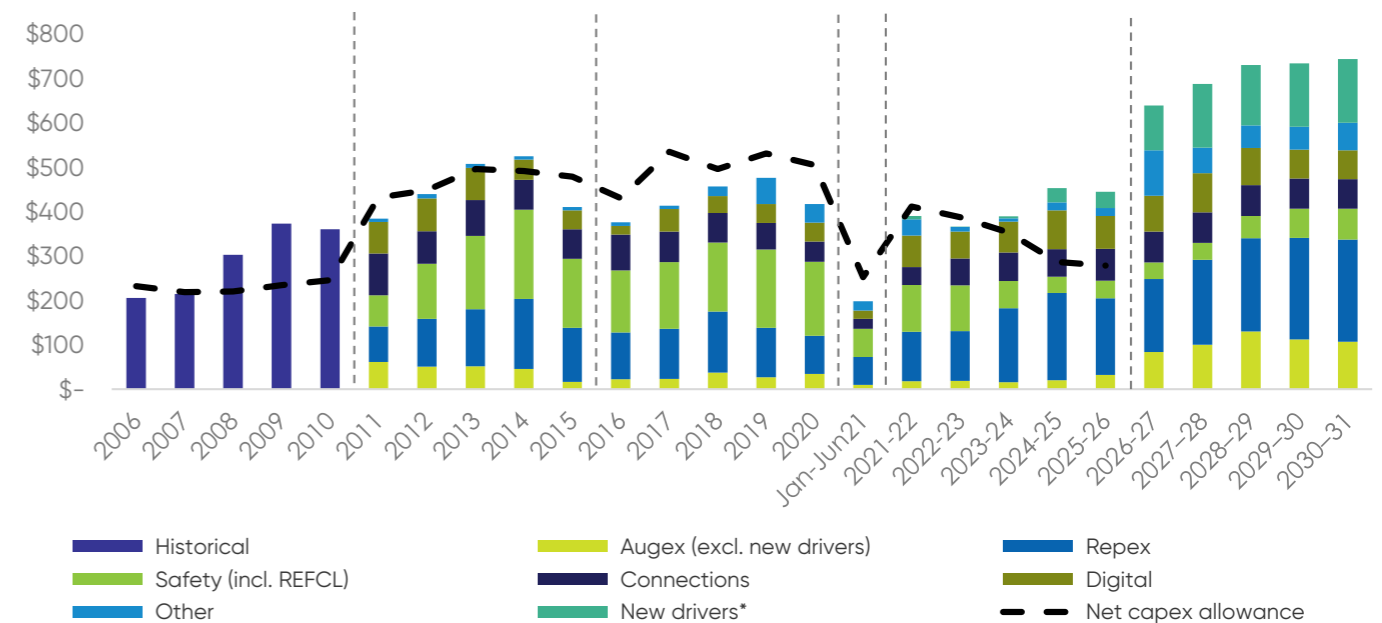
Our forecast of prudent and efficient capital expenditure in the 2026-31 regulatory period of \$3.5bn is 72% higher than expected investment in the current period. This uplift reflects the need to address a range of investment drivers, including:

- replacing more aging and deteriorated assets
- enabling electrification and unlock renewable energy
- uplifting network resilience and regional reliability
- starting a multi-period, risk-based strategy to upgrade and refurbish our ageing depots
- delivering an improved customer experience.

Our comprehensive assessment of the deliverability of the proposed capital program confirms we have the necessary capabilities and resources to deliver the program. It also outlined the actions and initiatives we are implementing to mitigate delivery risks.

The increases required to fund these expenditure drivers have been partly offset by:

- deferring \$70m of resilience network hardening expenditure to after the next regulatory period
- a comprehensive, top-down assessment of each capex category, which led to removing \$42m of overlaps or synergies from the capex forecast
- deferring \$29m in network expenditure due to our proposed investments in flexible services
- making adjustments to reflect expenditure funded through incentive schemes (\$8m)
- applying a discretionary productivity growth factor of 0.5% to our forecast of capitalised overheads, reducing our capex forecast by \$4m.



▲ **Figure 6** | Actual, expected and forecast capital expenditure by driver (\$m, real 2025-26)

Source: AusNet

*New drivers include resilience, large renewable connections, addressing worst served customer reliability, and smarter operations (DSO). Note: Values reflect net capex.



B. More detail on opex

Our forecast of prudent and efficient operating expenditure in the 2026-31 regulatory period of \$1.7bn including debt raising costs is 14% above our expected spend in the current regulatory period. This reflects:

- a large increase in customer numbers and demand on our network
- improvements in our digital systems to keep up with customer expectations
- new obligations imposed on us that will increase our opex costs
- maintaining system security
- enhanced response to major event days.

With a focus on affordability, we have:

- absorbed \$25 million in expected increases
- identified and removed \$9 million in synergies during consultation
- reduced our Guaranteed Service Level (GSL) forecast by \$5m to reflect our reliability investments and the removal of GSLs for 'controllable' service levels, consistent with the approach agreed with customers at the last reset
- included an opex reduction of \$4m to reflect efficiency improvements from Digital investments, provided that the expenditure is approved.

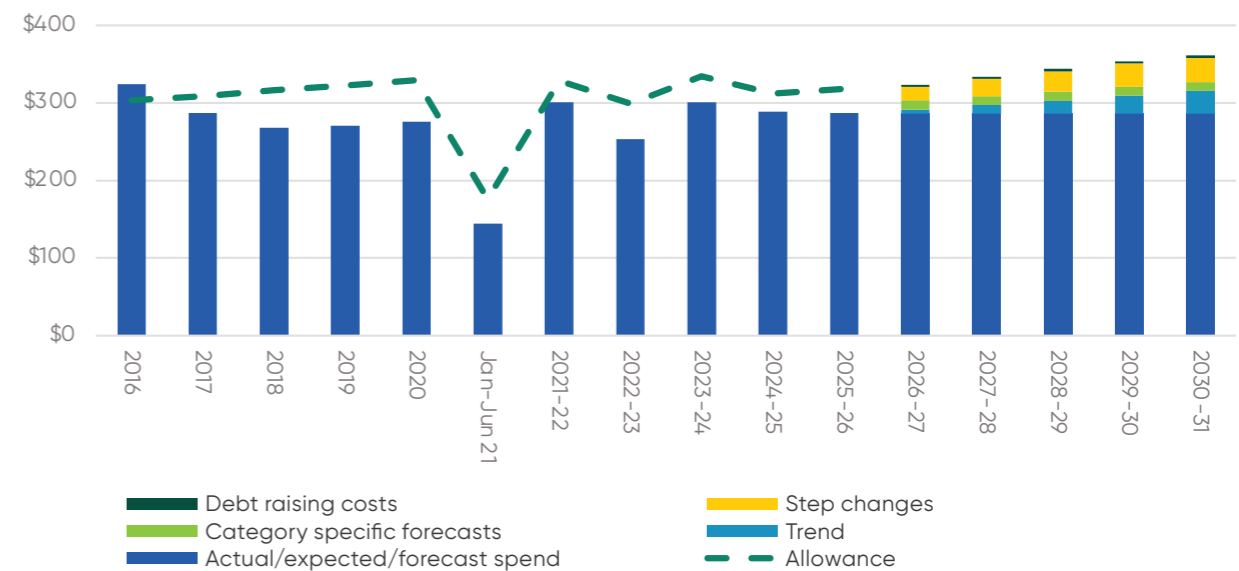
Our proposed operating expenditure forecast minimises costs while maintaining network reliability and safety and managing network growth.

We have selected the 2022-23 year as our opex base year on the basis that it reflects:

- ongoing, efficient opex under normal operating conditions; and
- most recent audited actual expenditure available at the time of submitting our Revenue Proposal.

Opex for 2022-23 passes the AER's efficiency assessment in its Annual Benchmarking Report, published in November 2024, which shows AusNet is efficient compared to its peers.

The AER's standard approach to real cost escalation is low compared to the labour increases we have seen in this current period and continue to face. This is a national issue and evident through recent and ongoing EBA outcomes, which far exceed the cost escalators applied under the AER's standard forecasting approach. Despite this, we have adopted the AER's standard approach of averaging two forecasts of this measure, and intend to manage the additional, unfunded opex through further productivity savings.



▲ **Figure 7** | Actual, expected and forecast operating expenditure by element (\$m, real 2025-26)

Source: AusNet

C. What we're doing to support micro resource operators and customers with their own energy resources (CER)

We actively forecast demand for distribution services from micro-resource operators and non-registered Consumer Energy Resource providers (together referred to as CER providers in this section). We significantly refined our forecasting methodology over the last decade to reflect changes in factors influencing network energy and demand. The growth in rooftop solar, enabling customers to self-consume and export excess solar back into the grid, has been one of the biggest changes observed in this time.

Rooftop solar uptake varies across our network and our forecasting methodology captures granular information at specific network locations, rather than using network averages. We are also supporting further material changes in the energy landscape, with the expected growth in electric vehicles, household batteries and electrification, including customers switching from gas to electricity. These changes will affect usage patterns across our network that we must anticipate to optimise our expenditure plans, and the expectations customers and micro-resource operators have of us to provide the systems and supports so they can interact with the network the way they need.

Our forecasting methodology has been progressively updated to reflect the more complex operating environment. We apply a 'bottom up' model to forecast customer numbers, energy consumption and maximum and minimum demand. Our forecasting methodologies are described in detail in Chapter 4 of the Regulatory Proposal.

In addition to monitoring changes in technology uptake, we also monitor customers' expectations of our network and performance through interactions with industry associations, government, our C-Sat program and the day-to-day interactions with current and potential micro-resource operations.

We heard strongly from our CER customers that they want to be able to share their excess solar with their neighbours. And both customers and stakeholders gave strong (but not unanimous) support for more cost-reflective allocations of network charges between those with and without their own energy resources. We consulted on and considered options including:

- the speed of rolling out flexible exports
- introducing an optional CER tariff to complement flexible exports offer
- introducing an Export Service Incentive Scheme
- targeting stable or improved levels of satisfaction with our CER connection processes.

Our proposal contains multiple approaches to supporting CER integration, including:

- a solar soak period in our time of use tariff structure
- leveraging smarter voltage management capabilities
- offering flexible exports to new solar customers from 1 July 2026
- upgrading the network to support more export where justified
- uplifting our communications to give customers advice on how to get the most value from their CER investments.

We will curtail export when directed by AEMO using our Solar Emergency Backstop capabilities.

Our approach aims to balance the costs and benefits of each option and combine them as a package to maximise value for customers. Alternative approaches would result in different outcomes, for example:

- Upgrading the network to increase the amount of exports would increase overall prices for customers, while only benefiting some solar customers.
- Not rolling out flexible exports means more solar customers would be constrained from exporting.

We tested interest in demand response programs and centralised control. Our customer engagement and research consistently shows almost all customers expect to be financially compensated for the inconvenience of not having total flexibility over when they can use electricity, though the expected amount and customers' willingness varies greatly. While many are opposed or expect compensation far beyond what would be practical, some customers are interested in receiving a financial reward for AusNet (or another party) controlling their energy usage for certain appliances, particularly if the level of control does not noticeably impact their routines or comfort levels. We will offer flexible load connections to large commercial and industry customers in 2026-31 and test the costs and benefits of flexible connections for smaller customers, funded via our proposed innovation allowance.

Other initiatives that support CER customers (including micro resource operators and unregistered CER providers) include:

- Easier access to network visibility data
- More opportunities and easier ways to participate in networks services and get rewarded for it
- Working with AEMO on more centralised ways for CER customers to participate in the energy sector.

These investments will be a continuation of our current CER enablement program, which includes actual and forecast capital expenditure of \$47.5m (\$30 June 2026) for the 2021-26 regulatory period in initiatives such as supply improvements, proactive voltage management and the EDGE (Energy Demand and Generation Exchange) platform. Our program is \$12m lower than the \$59.4m (\$30 June 2026) allowance, largely due to diverting resources to deliver the Victorian Emergency Backstop Mechanism (VEBM), in response to two new licence conditions to deliver ICT capabilities for remote management and control of solar generation and exports, to minimum system load management by AEMO.

We are also increasing our focus and investment in innovation. Our customers consistently ask us to find more innovative ways of doing things and evolve our service offerings. We developed a draft list of innovation projects to be funded, which fall into two key themes, both closely linked to improving outcomes for micro-resource operators and those with CER:

- Smarter network management—these projects aim to develop new ways of monitoring our low voltage (LV) network, including better visibility of asset performance and customer behaviours, so we can develop granular and detailed network models that do not exist in Australia. This includes testing and understanding different types of storage technologies better, which all have different ways of providing network services such as voltage regulation. These initiatives are aimed at improving network utilisation and the efficiency of network operations over time, given we can demonstrate they add value and reduce long term costs for customers.
- New customer services and tariffs—includes projects that test new services for customers, such as flexible demand services like managed electric vehicle (EV) charging, and new possible network tariffs, such as tariffs that incentivise dynamic EV control. We need to test these types of new services and tariffs before rolling them out, as we currently do not have evidence of customer behaviour and response that we can rely on for larger delivery programs.

More detail on our approach to integrating CER is found in section 6.8 of the Revenue Proposal.

D. Relationship between tariffs and other elements of the proposal

Our tariffs have been designed to achieve the pricing objectives outlined on page 25 – simple to understand, incentivising behaviours that save customers money, and adaptable to support the transition to net-zero and other aspect of our operating environment.

Tariff response assumptions in expenditure proposals

The effects of cost reflective tariffs were considered when developing our expenditure proposal. Our tariff structure statement (TSS) reflects the Victorian Government’s policy to provide customers with greater tariff, which makes it harder to forecast our customers’ demand response. Our demand forecast has incorporated the impact of cost reflective tariffs by using any historical response to tariffs embedded within the demand forecast.

Around 40-50% of our customer base on time of use tariffs is captured in our demand forecast, but our research has shown that many residential customers are convenience motivated which limits their responsiveness to our network tariff pricing signals. Our segmentation study shows that our largest customer segment (65% of customers surveyed) are on a single rate tariff and will not change their behaviour in response to tariff reform, therefore contributing most to the evening peak. Our sentiment research shows that 40% of customers are either unable or unwilling to shift usage of appliance, and there is little difference in peak usage between customers on single rate and time of use tariffs today. As such, we have not made assumptions about changing customer behaviour in response to tariffs in our forecasts.

To encourage the take-up of time of use tariffs, we propose to continue discounting our residential time of use tariff relative to the single rate tariff by 1% each year in the 2026-31 regulatory period, so that by the end of FY31, the residential time of use tariff will be 10% cheaper when compared to the single rate tariff in FY22.

Finally, a key barrier to a higher take-up and response to cost reflective tariffs may be a lack of customer understanding of the tariffs they are on, and opportunities to optimise their energy use and save on energy bills. Our customer research shows most customers are unaware of their tariff structure, or believe they are on a different structure from what they are on. We believe networks have a role to play in upskilling customers to engage with network tariffs and opportunities to save on their bills, which is why we have proposed a targeted communication and education campaign.

Flexible exports / load and tariffs

For the 2026-31 Regulatory Proposal, we have engaged in detail with our Future Networks panel on emerging customer needs and how we should best invest to unlock more value from all CER on our network, including rooftop solar, batteries and EVs/ EV charging units. We have also been engaging directly with the Victorian government and community energy groups on their energy ambitions, particularly through the implementation of the Neighbourhood Battery Initiative. Finally, we engage with our customers every day on their energy needs and pain points, including most recently with customers looking to install public charging stations across our network, or to upgrade existing connections to incorporate EV charging units.

Our proposal includes two investments in customer flexibility:

- Offering Flexible Exports to new solar customers from 1 July 2026. As we’ve already invested in capabilities to meet the new VEBM requirements, our transition to Flexible Exports for all customers from 1 July 2026 will come at a much lower cost. By offering this to all customers, we are making the most of our investment to date and increasing network utilisation while unlocking more exports. This is because we are only constraining solar exports when they are likely to cause network constraints or create minimum demand risk. This is a more efficient and fairer way of managing exports than applying conservative static constraints that are on a ‘first come first serve’ basis. A move to Flexible Exports is highly supported by our EDPR Future Network panel.
- Assuming some uptake of demand response in the low voltage network, most likely by customers with CER through contracts with retailers/aggregators. Our proposal is to streamline the provision of these ‘Flexible Services’ to the network through a platform that simplifies the exchange of services and contractual arrangements, increasing the number of customers and responses to requests for flexible service or non-network solutions. We therefore anticipate the provision of these services and our payments of them to grow each year of the regulatory period.

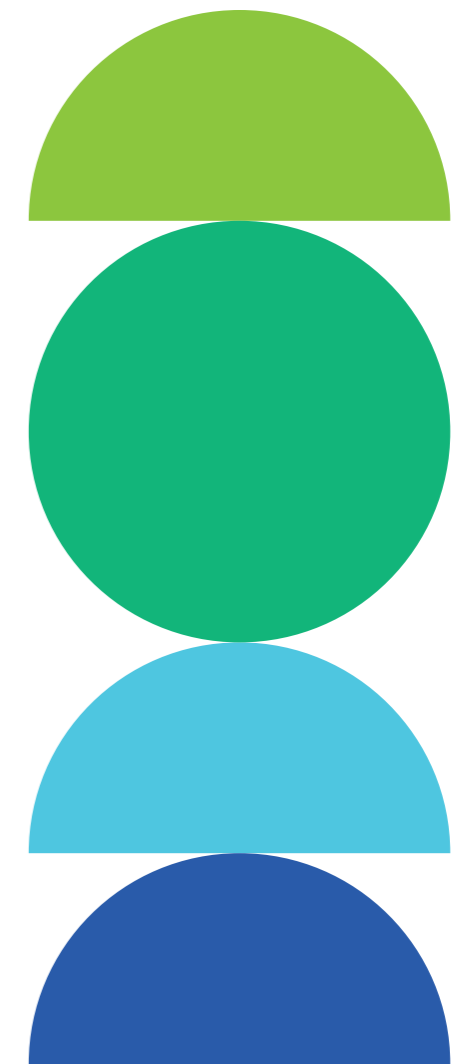
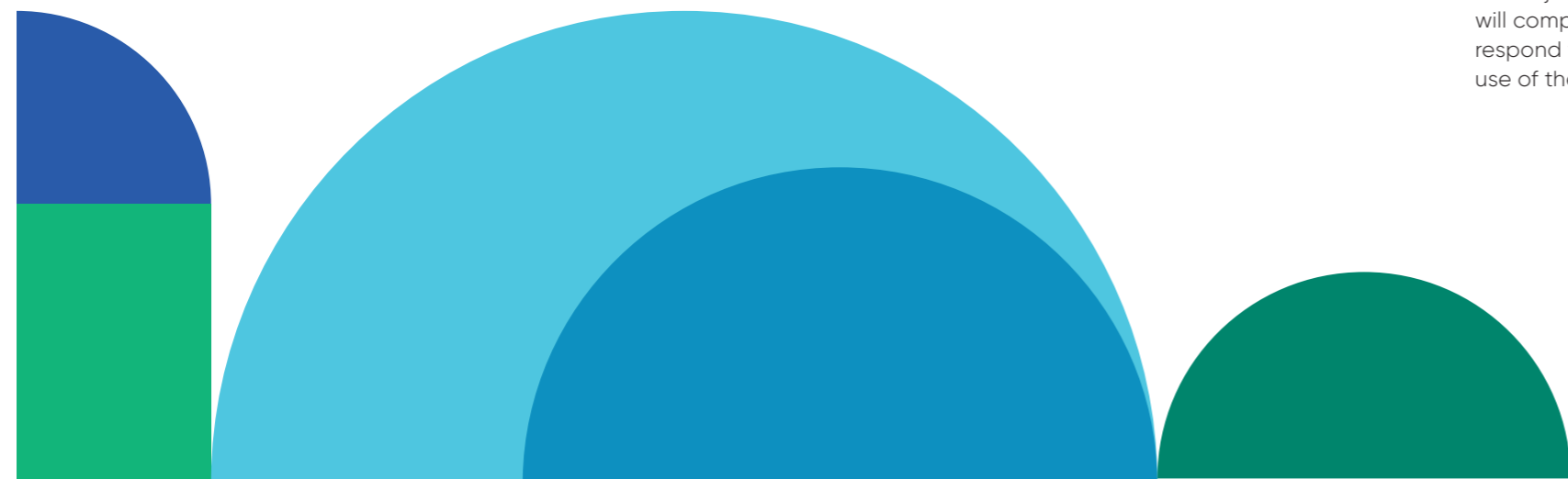
In Victoria, government policy dictates that network tariffs need to be optional to customers and that the opt-out time of use tariff cannot have an export tariff component. Our approach to export tariffs in our Revenue Proposal reflects this policy. We cannot rely on tariffs alone to manage customer exports or demand, which is why our primary approach to export and load management in the low voltage network are optional Flexible Exports and Flexible Services, combined with upgrading the network where justified. However, the range of optional tariffs will complement this and to the extent customers respond to the pricing signal, result in more efficient use of the network overall.

Large commercial and industrial customers and tariffs

Similar to section 2.7.1, we considered the impact on large customers on our CPD tariffs when developing our expenditure proposal. To the extent that large customers have responded to the CPD program, i.e. reduced their demand on the five CPD days that AusNet calls during the summer months (December to March), this is also inherently captured in our demand forecast, which subsequently flows into expenditure forecasts.

Our CPD program is well-subscribed and in the past 14 years, we have reduced demand on peak demand days by approximately around 25 to 40 MVA% by engaging large customers in the CPD program.

We will continue to inform and educate our large customers on our CPD tariffs and CPD program, so that they can find opportunities to save on their network costs whilst helping us manage our network on peak demand days.



E. Risks and benefits of the proposal for customers

Risk we have identified	Potential impacts on customers	How we're responding
<p>Rules, policies and regulations continue evolving</p> <p>We're at a busy time in the energy transition, and the risk of unforeseen regulatory changes occurring in the seven years to 30 June 2031 are very high.</p>	<p>The constantly evolving policy and regulatory landscape creates uncertainty for AusNet and its customers, and can directly impact prices, service levels, and network investments.</p> <p>The more notice we have, the better we can prepare for regulatory changes and insulate customers from any negative impacts or unforeseen consequences.</p>	<p>We proactively monitor regulatory and policy developments, engaging early with policymakers and stakeholders to advocate for customer-centric outcomes. We are also supporting industry work on changing the regulatory framework to build in flexibility. We also regularly consult with our Customer Consultative Committee and other stakeholders to understand how regulatory changes might impact customers, so we can put customer outcomes at the centre of our planning and response when our operating environment does change.</p>
<p>Electricity demand and/or usage growing faster (or slower) than forecast</p> <p>It's not possible to forecast what appliances and technologies customers will have in 7 years' time and how and when they'll be using them.</p>	<p>If electricity demand grows faster or slower than forecast, it can affect the efficiency of network investments. Over-investment in network capacity for slower-than-expected demand growth could lead to unnecessary costs, while under-investment in the face of rapid demand growth may compromise reliability and service levels, impacting customer outcomes.</p> <p>If electricity usage grows faster or slower than forecast, this will impact expected per unit network charges included in the Revenue Proposal, to be either lower or higher than expected.</p>	<p>We use a sophisticated forecasting methodology and regularly update our demand forecasts to reflect the latest data, including customer behaviour and energy usage patterns, electrification of gas and transport loads, economic trends, and solar and battery ownership.</p> <p>We also take a staged approach to network investments, ensuring flexibility to adapt to changing demand patterns. By engaging with customers and stakeholders, we can better understand their needs and align network planning to support cost-effective, reliable services. The investments in our proposal are not "locked in" and we do have some flexibility to reallocate funds if/as needed.</p> <p>Our Draft Proposal included sensitivity analysis of prices to forecast electricity usage, to be transparent about the impact of any potential changes.</p> <p>We are supporting work by Energy Networks Australia on adapting the regulatory framework to allow flexibility to adjust regulatory determinations mid-period if demand grows faster or slower than forecast.</p>
<p>Challenges delivering the proposed work program</p> <p>Global supply chain disruptions and a competitive labour market are putting pressure on the availability of materials and skilled workers, which could impact the timing and cost of delivering planned projects.</p>	<p>If we can't deliver all the proposed work for 2026–2031, it could delay improvements to the network or impact reliability and safety. This might mean customers don't get the services they expect, and it could cost more to catch up later.</p>	<p>We have undertaken a comprehensive deliverability assessment of the proposed capital program, to confirm we have the necessary capabilities and resources in place to deliver the program. It outlines the actions and initiatives we are implementing to mitigate delivery risks.</p> <p>Within the regulatory period, we revisit and carefully plan for every project before starting to make sure it is achievable and well-resourced. We work closely with trusted suppliers and contractors to have the people and materials needed to get the job done. We also check our progress regularly and make changes if things don't go as planned. If challenges come up, we focus on the work that benefits customers the most, so their needs always come first.</p>

Risk we have identified	Potential impacts on customers	How we're responding
<p>Slow uptake of cost-reflective tariffs</p> <p>Cost-reflective tariffs working well help keep costs down for all, but historically customers' response to pricing signals, which are typically small, has been limited.</p>	<p>If fewer customers adopt new tariffs, it may take longer to see the full benefits of a more efficient energy system. This could result in missed opportunities for customers to save money by managing their energy use or reduce network costs in the long term.</p>	<p>Our forecasts assume that tariffs won't significantly change customer behaviour, in line with observed behaviour.</p> <p>At the same time, we're investing in customer education and engagement to help customers understand the benefits of the new tariffs and how they can reduce their energy costs by managing their usage.</p> <p>This approach helps us balance the risk of underinvesting in network capacity while supporting customers to make informed choices.</p>
<p>We are not proposing compulsory export tariffs</p> <p>While the regulatory framework supports export charges, we are proposing to offer them on an opt-in basis.</p>	<p>Our proposal reflects Victorian government policy not to mandate export tariffs. This means export tariff uptake is expected to be very low due to limited levels of customer engagement with tariffs.</p> <p>No mandatory export tariffs should encourage uptake of solar but embeds cross-subsidies between solar and non-solar customers.</p>	<p>We have included an export tariff on an opt-in basis and our proposal includes funding for a customer communications uplift which will include information about solar and network tariffs, to equipping customers with the skills they need to understand their options and make decisions in line with their interests.</p>
<p>Extreme weather events occurring</p> <p>This includes the chance of storms, fires and other events on parts of the network that have not been flagged for investment in community or network resilience.</p>	<p>More frequent and severe extreme weather events, like fires and storms, increase the risk of damage. This could lead to extended power outages, higher restoration costs, and potential safety risks for customers. If a major event occurs in areas outside those targeted for resilience investments, it could leave some parts of the network less prepared for such events, and investments in other areas underutilised.</p>	<p>We prioritise resilience investments in areas with the highest risk, based on detailed projections of long-term weather patterns, network vulnerability, and customer impacts. While it's not possible to eliminate all risks, including due to uncertainty around which parts of our network will be impacted by future extreme weather events, we've incorporated solutions into our plans that provide flexibility as to how – and where – we respond to unforeseen events. This includes maintaining robust emergency response capabilities and collaborating with emergency services and local communities to minimise disruptions and restore power as quickly as possible after an event.</p> <p>We have also engaged openly with customers on this risk, and on the tension between proactive preparation and reactively repairing the network. We are confident our proposed approach aligns with customers' current expectations.</p>
<p>Insufficient capacity for new generation to connect</p> <p>Generators are increasingly looking to connect projects to the sub-transmission network. New generation is required to replace retiring generation and growing demand for electricity.</p>	<p>Insufficient capacity to connect new generation could lead to delays in bringing renewable energy sources online, increasing reliance on fossil fuels, and potentially lead to higher energy prices for customers. It could also result in limitations on supply as demand increases, which may cause network congestion and reduced service reliability, ultimately affecting customers' access to affordable and reliable electricity.</p>	<p>We are proactively managing this risk through strategic investment in network capacity, where such investments are economically efficient.</p> <p>Our focus is on making better use of existing sub-transmission and distribution network infrastructure, and making it faster and cheaper to bring more generation online and help prevent power outages or higher costs for customers.</p>



Risk we have identified	Potential impacts on customers	How we're responding
<p>Anticipated outcomes from investments not eventuating</p> <p>When we complete our modelling to inform network investment decisions, we can't guarantee the outcomes those investments will have.</p>	<p>If expected improvements from investments, such as better reliability, do not materialise, customers could experience lower service reliability, higher outage frequencies, or longer restoration times following incidents. This could result in customer dissatisfaction, increased costs for businesses that depend on a reliable supply, and higher costs to repair and maintain a less efficient network, ultimately leading to a negative impact on customer experience and prices.</p>	<p>To mitigate this risk, we have applied robust asset management and network planning methodologies, inputs and assumptions to develop our investment plans and provide confidence around their expected outcomes.</p> <p>We also implement rigorous monitoring and evaluation processes for all capital expenditure programs.</p> <p>We integrate contingency plans into our capital investment strategies, allowing for adjustments if certain initiatives do not meet the expected outcomes – for example, not overinvesting in a technology if we are not seeing benefits. This means we can still deliver reliable and cost-effective services while reducing the risk to customers.</p> <p>We'll also be engaging with our Customer Consultative Committee on outcomes being achieved within the regulatory period. They will help keep us accountable to deliver our plans via monitoring and continuous improvement.</p>

<p>Customers' needs and expectations change</p> <p>While our engagement has been forward-looking and we've pushed customers to think about the future, most cannot accurately predict how they'll be thinking and feeling in 2031.</p>	<p>Customers' expectations will likely evolve during the 2026-31 planning period, which could create a mismatch between the services we are proposing to provide and what customers expect in terms of reliability, pricing, customer service, innovation, sustainability or some other element of our proposal. For example, if customers want enhanced digital services or more support for community energy groups, and these expectations have not been anticipated or addressed in this proposal or identified and responded to within the regulatory period, it may have consequences for customers – such as incurring costs, inconvenience, lower satisfaction with AusNet, more regulatory change or policy uncertainty.</p>	<p>We proactively monitor customer needs and expectations through customer engagement and research, conducted by ourselves and others, to track changes and understand emerging and evolving trends and customer priorities.</p> <p>This information is fed into our planning processes, enabling us to adapt our service offerings accordingly. We maintain a flexible approach to our capex and opex investments, so we can respond to shifts in customer needs while balancing the affordability and reliability of services.</p> <p>This flexibility allows us to remain responsive to customers' evolving expectations while minimising disruptions.</p> <p>We also leverage our Customer Consultative Committee to help us monitor trends and we will engage with them on the reprioritisation of our work program in response to customers' changing expectations.</p>
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