

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

Foreword

As the independent Chair and Deputy Chair of the Customer Advisory Panel (CAP) established by Powercor, CitiPower and United Energy, we are pleased to present the CAP's report on CitiPower draft proposals for 2026-31.

The CAP has worked closely with CitiPower for over two years, scrutinising and advising on the network's emerging plans and in particular its approach to engaging its customers and other stakeholders.

CitiPower delivers electricity to over 285,000 households and over 56,000 business, commercial and industrial customers in Victoria, and the proposal includes plans for capital and operational spending worth over \$1.7 billion. So, it is critically important that the proposal reflects extensive and wide-ranging input from customers and other stakeholders.

This short report is intended to provide an overview of the CAP's perspective on CitiPower's engagement as it has developed its investment plans. The business will submit its final proposal to the Australian Energy Regulator at the end of January 2025, and we will publish a further commentary then. Accordingly, this report primarily aims to flag key areas where we think CitiPower could improve its draft proposals prior to final submission.

There is much to commend in CitiPower's extensive and sustained program of customer and stakeholder engagement. The CAP recommends further dialogue with large commercial and industrial customers to ensure their views are adequately considered in its proposal. We welcome the initial steps taken to engage fully with First Peoples, though much remains to be done following this reset process.

The CAP welcomes CitiPower's emphasis on affordability, which underpins the proposal. The CAP recommends that CitiPower make a clearer connection between customers' views and the relative weighting given to investment priorities set out in the draft; explaining how the business will cope with inevitable uncertainties in what is likely to be a fast-changing period; whether the proposals are sufficiently ambitious given the scale of the challenges ahead, particularly with respect to the challenges of gas and vehicle electrification; and the need for a more strategic and holistic approach to vulnerability, backed by sufficient resources

We'd like to thank our nine fellow CAP members for the drive, expertise, consumer insight and collaborative spirit which they have brought to the work of the CAP. We continue to benefit from ongoing dialogue and debate with CitiPower's Regulation division, Executive Leadership Team members and other subject matter experts in the business.

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

The CAP exists to advance the interests of Powercor, Citipower and United Energy customers, and many CAP members live and/or work in the CitiPower area; but we know that we're just 11 people out of the millions of Victorians who rely on electricity as an essential service. So above all, our thanks go to the many customers and other stakeholders who have contributed to the development of the proposals which we comment on in this paper.

Philip Cullum, Chair

Hilary Newstead, Deputy Chair

November 2024

Contents

| | |
|--|----|
| Foreword | i |
| Executive summary | 1 |
| <i>Effectiveness of engagement</i> | 1 |
| <i>Coping with uncertainty</i> | 1 |
| <i>Key aspects of the proposals</i> | 2 |
| The Customer Advisory Panel | 3 |
| Regulatory context: the AER’s Better Resets Handbook | 5 |
| Our assessment of CitiPower’s research and engagement | 6 |
| Customer groups where there could be additional engagement | 10 |
| <i>First Peoples</i> | 10 |
| <i>Commercial & industrial customers</i> | 10 |
| Degree of change: affordability, ambition and uncertainty | 12 |
| <i>Planning for uncertainty</i> | 12 |
| Key substantive issues | 14 |
| <i>Service</i> | 14 |
| <i>Vegetation management</i> | 14 |
| <i>Tariffs</i> | 14 |
| <i>Consumer vulnerability</i> | 15 |
| Additional points of detail | 17 |
| <i>Customer assistance package</i> | 17 |
| Recommendations | 18 |

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

Executive summary

Effectiveness of engagement

- We consider that CitiPower has undertaken a sincere, thorough and sustained engagement program, involving a variety of customer groups and other stakeholders. This has been underpinned by a clear and staged engagement strategy and a workplan which gradually focused more tightly on identified topics, with the proposed overall package then being tested. This approach was developed with CAP input and evolved as necessary over time.
- CitiPower has made appropriate use of a wide range of approaches that considered both the subject matter and the customer or stakeholder groups.
- The CitiPower staff team has consistently shown integrity and commitment in their dealings with the CAP. There was a good level of senior staff involvement in both the CAP's discussions and at other engagement events.
- The draft proposal effectively demonstrates that customers support investment in the key areas identified. But it doesn't clearly demonstrate how this engagement has informed the scale of investment proposed in each area and the relative prioritisation of different spending options. The CAP recommends that the final proposal more clearly demonstrates the connection between customer preferences and priorities as understood via engagement, and CitiPower's detailed plans.
- CitiPower was strongly focused on engaging with residential customers. However, engagement with large Commercial and Industrial (C&I) customers appears to have been less focused and sustained than residential and small business customer engagement. **The CAP recommends that CitiPower undertake more comprehensive engagement with C&I customers that captures the significant differences between different types of C&I customers operating in the CitiPower network.**
- The business has taken some very important first steps in engagement with First Peoples as part of this process, not least through the establishment of the First Peoples Advisory Committee. This is a strong foundation on which to build over the next few years, when we would expect to see further progress.

Coping with uncertainty

- The proposal rightly identifies that we are in a time of unparalleled change, as the economy moves towards net zero, and that this poses substantial challenges and uncertainty for electricity networks in particular. Expenditure to support the growth of electricity consumption and demand due to electrification of gas and vehicles will depend on interactions between a number of uncertain factors such as the pace of electrification, the extent of demand response by customers, and growth in customer numbers due to infill development and population growth. There are questions about who will bear the risks and costs around these uncertain aspects. These need to be explored further. **The CAP recommends that CitiPower give more detail in the final proposal about how it plans to manage this uncertainty and the changes in costs and thus prices that could result.**

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

Key aspects of the proposals

- Customers will welcome CitiPower's emphasis on affordability which underpins the proposal. This is message was a strong and consistent theme in CitiPower's engagement for both residential and business customers. Accordingly, CitiPower has rightly focused on keeping costs under control and operating as efficiently as possible.
- The proposal includes the 'Customer Assistance Package', a number of programs to support customers in vulnerable circumstances, reflecting customer feedback. These programs are welcome and needed to support a just energy transition, but will need to be coordinated, responsive to customer and community needs and well-resourced to be effective. Expenditure earmarked for the programs is modest and expected to be uplifted by additional resources from delivery partners. **The CAP recommends that CitiPower provide more detail about how the package will be designed and implemented, including demonstrating how it will take a more holistic approach, engage with partner organisations in delivery, be underpinned by a vulnerability strategy, and be focused on the aspects of the programs where CitiPower is uniquely placed to have greatest impact.**
- A number of CAP members are disappointed that the five Victorian networks' initial plans for default time of use tariffs (with the ability to choose to revert back to a flat tariff), which they consider to be in the consumer interest, cannot be proposed because of Victorian government policy in this area. **The Victorian distribution businesses should continue to work with the Victorian Government to develop an approach to transition all residential customers to the proposed default time-of-use tariffs over the 2026-31 period in a way that manages perceived and actual adverse impacts on vulnerable customers.** There is also scope for Citipower to do more to facilitate increased consumer understanding and take-up by households who would benefit from being on an opt-in time of use tariff.

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

The Customer Advisory Panel

The Powercor, Citipower and United Energy Consumer Advisory Panel (CAP) represents customers of three of the five Victorian electricity distribution networks (AusNet and Jemena being the remaining two businesses). The current incarnation of the CAP has been in place for over two years. Some CAP members participated in earlier iterations of a smaller CAP representing customers of the three businesses.

Our TORs state that we exist to *'provide focus, expert challenge and insight on customer issues and engagement, to inform and influence strategic decisions and operational delivery'* by the three networks. This *'covers the diverse interests of household, commercial and industrial customers.'*

We have four key functions:

- We provide expert advice and assurance on customer and community engagement, research, and insights
- We provide information flows and insights from the organisations and communities where CAP members work and members' broader professional backgrounds and relationships
- We identify significant consumer issues and provide informed and knowledgeable debate and advice about them.
- We aim to ensure customer and stakeholder views are captured, tested, and embedded in the networks' decision-making processes, challenging the business to deliver for consumers.

We provide a consumer lens on a range of issues. However, our focus since September 2022 has predominantly been to give a customer-oriented perspective on proposed investment plans for 2026-31, given the high costs involved and the importance of the future network to customers.

The 11 members of the CAP are: Philip Cullum (Chair), Hilary Newstead (Deputy Chair), Helen Bartley, Natalie Collard, Keicha Day, Gavin Dufty, Dean Lombard, Emma Lucia, Lynda Osborne, Tennant Reed, and Winnie Waudou.

We have mainly worked as a full CAP, although when the business was developing its overarching engagement strategy and approach, we formed an engagement sub-committee to provide more detailed guidance. This comprised Gavin (Chair), Helen, Philip and Winnie. We also briefly formed sub-committees on tariffs and resilience.

CAP members bring diverse skills and experience that allow us to consider energy consumer interests from a range of perspectives. We include:

- Customers of each of the three networks
- People with backgrounds in consumer advocacy, economic regulation and government
- Experts in energy and climate change / sustainability policy

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

- Professionals with research, engagement and insight expertise (including a Fellow of the Research Society and two IAP2A graduate members)
- Professionals with energy and broader technology expertise relevant to the energy sector

Members with knowledge and experience in different customer segments including:

- commercial and industrial customers
- representatives from welfare organisations
- a First Peoples member
- a member with a strong rural / agriculture background
- an AER Consumer Challenge Panel and Consumer Reference Group member
- people with substantial regulatory experience who are involved with other electricity and gas networks' consumer advisory groups.

The CAP has met about 20 times as a group, and individual members have participated in the sub-committees mentioned above. Members have also observed and/or participated in numerous customer and stakeholder sessions, as well taking part in a number of joint engagement events run by the five Victorian distribution businesses together on cross-cutting issues such as tariffs and vulnerability.

We have established a positive and constructive relationship with CitiPower staff. As part of that, the CAP Chair and Deputy Chair meet the business' regulation team every fortnight. As part of these meetings shape CAP meeting agendas and comment on CAP draft papers to ensure they are fit for purpose.

Regulatory context: the AER's Better Resets Handbook

In advising on and assessing CitiPower's research and engagement program we have considered the Australian Energy Regulator's expectations, as outlined in its *Better Resets Handbook*¹. The AER comments that:

'Our approach to regulating energy networks is evolving. One of the main themes of network regulation in the past decade has been the increased focus on consumer engagement. For the National Electricity Objective and National Gas Objective to be achieved, regulatory proposals and AER determinations must reflect the long-term interests of consumers. Consumers have gone from being outsiders to being an integral part of the regulatory process.'

'By encouraging network businesses to improve their consumer engagement, consumers will be central to the regulatory determination process. This will allow consumers to have a greater influence over the development of regulatory proposals by network businesses and, more importantly, ensure network businesses deliver outcomes valued by consumers.'

The AER further says that: *'Our expectations do not prescribe any particular form or model of consumer engagement and can be applied across all network types in developing their regulatory proposals. They are targeted at the outcomes we want to see from engagement. Importantly, we want networks to own their engagement approaches and tailor their engagement to best suit the needs and circumstances of their consumers.'*

It expects networks will engage:

- *Sincerely* to the extent consumers can effectively contribute to the development of proposals
- *Broadly and deeply*, using accessible, clear and transparent methods and consult on the outcomes then the inputs

The Better Resets Handbook also expects networks to consider the different levels of influence customers can have on a regulatory proposal, in line with the International Association for Public Participation (IAP2) Public Participation's Spectrum². The IAP2 Spectrum broadly defines five stages of public participation and the role of the public in an engagement program, beginning with the organisation informing then consulting, involving, collaborating and empowering the public.

The AER has established its own advisory body, the Consumer Challenge Panel (now in its third iteration) to assist in its assessment of businesses' engagement. The CAP's role in contrast is primarily to advise and challenge the business directly. But we have considered the AER's principles in our work influencing CitiPower's broader engagement with customers, our observations and insights into customer preferences and our own engagement with the businesses.

¹ <https://www.aer.gov.au/system/files/2024-07/AER%20-%20Better%20Resets%20Handbook%20-%20July%202024.pdf>

² <https://iap2.org.au/resources/spectrum/>

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

Our assessment of CitiPower's research and engagement

There is much to commend in terms of how the business (encompassing CitiPower, Powercor and United Energy) has engaged with customers and other stakeholders in a sustained, rigorous and evolving way over the last couple of years, reflecting the aspirations of the AER's Better Resets Handbook.

The CAP has observed genuine and sincere commitment to, and delivery of, engagement by the business, including at a senior level, with both its broader customer base and the CAP. We also consider that the Reset team has demonstrated openness and integrity.

The business has used a range of different research and engagement approaches tailored to suit different customer groups and topics. For example, the business has met with some customers on location to learn first-hand about customers' experiences; it has conducted more formal engagement activities online and face-to-face enabling it to efficiently and cost effectively engage with a diversity of customers.

CitiPower has listened to customers on a range of topics that it identified through its early engagement as being issues of importance. CitiPower's engagement was structured round four key themes: reliability and resilience; affordability and equity; the energy transition; and customer experience. These themes helped create a manageable framework for engagement with residential and small business customers, on a range of topics which could otherwise have felt daunting and unwieldy.

CitiPower's three main phases of the engagement program were structured well.

- Broad and Wide: this allowed a broad conversation which identified key themes and critical issues for customers.
- Deep and Narrow: this explored the key themes and critical issues in more detail.
- Test and Validate: this is when CitiPower sought to test the draft proposals with customers.

The CAP commends CitiPower for demonstrating it listened to customers in each of the phases and then developed and finessed its approach in each subsequent phase in line with customer feedback. For example, the four themes evolved in response to CitiPower's initial engagement, and ultimately evolved into the three themes set out in the proposal: reliability, safety and resilience; affordability and equity; and the energy transition.

The CAP recognises the business aims to operate in a lean way, and in many respects this is an admirable ambition to minimise costs which are ultimately borne by customers. However, this has created a challenge for the business to engage effectively and consistently with different sets of customers due to resource challenges.

While the business generally considered each network as a unique entity, and identified the different needs and preferences of each network's customers, at times we observed generic messages about customer preferences and network proposals that might have been more targeted.

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

We were pleased to see a significant increase in funding for the engagement process in 2023, after the CAP reached out to the CEO on this issue – this was an example of both responsiveness and tangible commitment.

We have discussed with the business why the results from its mass market trade-off work were weighted to the Victorian population and not the individual network populations. This could potentially affect the findings. We understand that the business is taking steps to address the issue in the future.

The business shared its work on future energy demand, in partnership with Monash University's *Digital Energy Futures* research team, in several engagement workshops. It provided the business and the CAP with valuable consumer-oriented insights into emerging energy trends including anticipated changes in peak demand and the drivers of those potential changes. These insights have been used alongside forecasts from bodies such as the Australian Energy Market Operator (AEMO). The CAP commends the business for undertaking this work, rather than simply relying on AEMO forecasts, when developing forecasts of future energy demand.

Although C&I customers are relatively small in number, they have a disproportionately large demand for energy and make a large contribution to the revenue of the business. C&I customers have diverse energy needs and issues (e.g. in relation to reliability) that are unique to the sector. Therefore, it is important that networks engage effectively with this sector to understand the diversity of their current and anticipated energy needs and consider these in the proposal. We consider there could have been – and even at this late stage could still be – deeper and more diverse engagement with C&I customers to better inform the draft proposal. We note this engagement has picked up in recent months, but this is not reflected in the narrative of the draft proposal.

The business has collaborated well with the other Victorian networks (Citipower, United Energy, AusNet and Jemena). This includes engaging stakeholders on topics of shared interest, such as tariffs, resilience, and consumer vulnerability, and to inform a shared view of the key aspects of service that will be covered in the AER's decision-making process (known as the 'Framework and Approach').

CitiPower has worked closely with research, engagement, customer experience and marketing strategy company Forethought, along with other engagement partners such as BD Infrastructure. Together they have brought significant research and engagement expertise that complements skills within the business. The business made a sensible, pragmatic decision to bring a small number of Forethought staff in-house, to build internal capacity within the business, ensuring that consumer views were fully captured and considered in the development of CitiPower's proposals.

The CAP has engaged directly with the business on a range of inputs into its draft proposal. The CAP has an independent Chair and Deputy Chair who shaped the agenda for every meeting, and, unlike some other customer panels, we chaired our own meetings. Almost all meetings were attended by at least one CitiPower ELT member, and the CAP had good access to a range of executives across the business as required. The CAP has also received additional briefings and other information that allowed us to have informed discussions and pose questions and

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

challenge the business from a range of perspectives. This has ensured we could meaningfully contribute (be consulted, be involved or collaborate depending on the topic).

CAP members have observed numerous broader consumer and stakeholder engagement activities undertaken by the business to inform the proposal; allowing members to hear from customers directly, rather than rely solely on reports from the business and consultants.

The creation of the First Peoples Advisory Council and the appointment of its Chair to the CAP was a positive first step by the business to ensuring First Peoples' needs and issues are heard and reflected in business proposals. We encourage the business to continue to grow the engagement with First Peoples to inform future proposals.

Finally, we note that some of the engagement events such as town halls held in the critical 'Test and Validate' stage have suffered from low attendance among the business's wider customer group. This could potentially affect the business's ability to gather evidence of customer support or otherwise for the full proposal. Other work such as the new analysis of customer values, which the business undertook following advice from the CAP, should help in this regard.

Relationship between the research & engagement and CitiPower's draft proposal

Beyond being prudent and efficient, a key question for the regulator in making its determination is whether CitiPower's regulatory proposal reflects consumer preferences.

As we have noted above, despite its limited engagement with certain customer groups, CitiPower's engagement has generally been extensive and rigorous. However, while CitiPower has drawn on the insights from its customer and stakeholder research and engagement in its proposal, the CAP considers the draft proposal does not yet sufficiently and consistently demonstrate specific links between customer feedback and its proposals– what we term the 'golden thread' between customer input and the proposed spending plans.

The proposal suggests customers support investment in a particular area, such as maximising solar energy output. However, there is less evidence presented in the proposal about customer support for the absolute or relative scale of that investment compared to investment in other areas. There needs to be more analysis included about who will benefit and evidence of customers' willingness to pay.

To further exemplify this point - under the regulatory framework, a network is required to invest a minimum amount to maintain network reliability. While customers may indicate reliability is important, discretionary proposals for services beyond those required to satisfy compliance requirements need to be well-justified, particularly when only some customers may benefit from certain proposals for which all customers share the cost. Having customers tell CitiPower that they support investment on particular things is obviously helpful but not enough to justify the full package of spending plans.

Overall, we believe there could be more clarity about the hierarchy of customer preferences as a way to identify which investments are more important to customers than others. Stronger preferences should affect how other, less important preferences are addressed.

This lack of clarity on prioritisation may merely be a drafting issue, or perhaps the result of gaps in the engagement process (noting that the Test and Validate stage of engagement was still under way when the proposal documents were drafted). We have discussed with the business whether any further engagement needs to be done to bring everything together, even at this late stage, and CitiPower is confident this is unnecessary given the volume and quality of customer insights that it can already draw on. As such we recommend these insights are more clearly articulated in the final proposal to support investment decisions.

Customer Advisory Panel report on Draft Proposals for 2026-31 reset

CitiPower

Customer groups where there could be additional engagement

First Peoples and Commercial and Industrial (C&I) users are two groups of customers where we believe there could be more engagement. We consider these in more detail in this section. The former needs a sustained, longer-term approach, building on positive first steps; whereas the latter may need more immediate action.

First Peoples

The creation of the First Peoples Advisory Committee (FPAC) in 2023 was very welcome. Establishment of FPAC to assist with completion of the Reconciliation Action Plan has been essential to future engagement. First Peoples have a dual role in energy, and in particular the energy transition, as rights holders as well as customers second. Many may like other customers be in vulnerable circumstances, this stems directly from the ongoing effects of colonisation through structure systems that were historically aimed to oppress.

The FPAC chair Keicha Day joined the CAP and her inclusion has provided a unique and important perspective on the issues facing First People, including the importance of the protection of cultural assets in network planning.

While the broader business held engagement with First Peoples included a Yorta Yorta session and a very successful recent session at VACSAL Football/Netball carnival, there was no specific First Peoples engagement within the CitiPower network. The engagement from other networks resulted in gathering a substantial amount of input from some First Peoples communities, but it is recognised that these are very much first steps towards a more dedicated approach to First Peoples engagement. A small but impressive unit within CitiPower is main point of engagement for the business.

The largest investment proposed through the Customer Assistance Package is intended to support First Peoples, but as we discuss below, the CAP's view is that the amounts are insufficient and should be substantially increased. The FPAC should be closely involved in decisions about how best to target the spending to achieve greatest impact.

Commercial & industrial customers

As noted above, the CAP acknowledges that limited engagement has been undertaken with C&I customers. This is a challenging audience, who face many pressures on their time; and it can be difficult even to identify the right person to talk to within each C&I customer. However, stakeholders have told us that the business has done less than other networks in this area, and it would benefit from enhancing and refining its engagement approach.

C&I customers represent 17% of connections and 46.5% of revenue across the CitiPower network, however the draft proposal has limited reference to how the proposed investment will address the concerns, or create opportunities, for these customers.

We understand that engagement with C&I customers in CitiPower occurred through individual interviews and a small forum in Melbourne, however this activity is not identified in Part D of the draft proposal. The key challenges for C&I customers, in the “*what we have heard*” section, appear to have been drawn from engagement with Powercor C&I customer engagement

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

(highlighted through carbon copy comments in each network proposal). It is considered this may not be reflective of the diversity of C&I customers, and their priority energy issues, across the CitiPower network. We would like to see the broader sentiment from the CitiPower specific C&I engagements reflected in the final proposal.

C&I customers in each network are acknowledged to be diverse with nuanced issues, although it has also been noted that larger C&I customers, such as a large supermarket chain or multi-site manufacturer, may have sites in all three network areas. Major users that are more highly represented in CitiPower's service area include major sporting facilities, transport hubs (including the metro tunnel works) and commercial buildings. Their needs are clearly not the same as for example manufacturing (food processing, industrial) and distribution & warehousing, to farming, which are more prevalent in the Powercor area. So, it is important that the proposals are underpinned by an understanding of key needs of customers in each network. The feedback from C&I customers that has been captured is generally not attributed to an individual network or customer type.

As outlined in the customer synthesis, the key themes that have been identified by C&I customers across the three networks include:

- reliability of consistent supply and availability of sufficient capacity
- better communication including who to contact for data, better outage comms, better relationship management and a need for education about tariffs and how tariffs could best enable savings and opportunity for C&I customers
- a preference for a slow, steady and well communicated approach to emission reduction and energy transition.

It is not clear from the engagement whether these themes are applicable to all the networks or how they differ for C&I customers in each network. CitiPower's proposals do address some of these issues, however the proposal is not explicit in the investments that relate to C&I customers. We believe more work can be done to draw out the narrative about how investments can support C&I as well as residential and small business customers.

Customer Advisory Panel report on Draft Proposals for 2026-31 reset

CitiPower

Degree of change: affordability, ambition and uncertainty

The business has run a substantial engagement program, framed by the extent to which the world is moving in a profound way towards decarbonisation and distributed energy. The proposal notes:

‘The way our customers are using electricity is rapidly changing. With growing electrification, continued uptake of consumer energy resources (CER), and increasing frequency and severity of extreme weather, we are more dependent on a safe, reliable and resilient electricity supply than ever before.

‘This transformation of electricity needs is occurring at the same time as more typical network drivers, like population growth, asset risk, safety and regulatory compliance. The prevailing economic environment is also changing, with rising input costs challenging affordability and what customers value from their network.’

Given the scale and scope of these changes, the future energy system will need to function differently to the energy system we see today. There are some major opportunities in this, but also significant challenges.

One of the loudest messages from customers of all types is about affordability. Accordingly, they should welcome the extent to which this underpins CitiPower’s draft proposal. This is a message that came across very strongly in the engagement process, for residential and small business customers. The business has rightly focused on keeping costs under control and operating as efficiently as possible.

The possible downside of this is that the proposal may be too cautious, or insufficiently ambitious, in some key areas. It is striking that in terms of the financial impact at least, the proposals are almost exactly the same as the previous reset. We also note that the big message from most though not all customers on affordability is about value rather than cost – that is, many customers may be willing to pay more to get more.

We understand that the lack of change in the cost for customers is in large part down to the treatment of capital expenditure over a long time period. But given the magnitude of change in the energy sector, this feels slightly underwhelming, and the CAP considers that the proposals could be more ambitious in places. We consider this in the next section, for example in the context CitiPower’s role in relation to consumer vulnerability.

Planning for uncertainty

At the risk of stating the obvious, the nature and extent of the change in this period is by no means certain. As the proposal acknowledges, consumers in 2031 will have some very different needs and expectations compared to now, but we can’t be sure in exactly what ways.

The proposal could explain more clearly how the business will handle the ‘known unknowns’. In particular, it would be good to have more clarity about the expected range of outcomes for uncertain trends (e.g. high and low estimates for EVs, electrification, demand response, etc.) and some discussion of planned strategies to manage cost impacts on customers of outcomes markedly different from expectation. It also needs to consider and draw out more clearly who

Customer Advisory Panel report on Draft Proposals for 2026-31 reset

CitiPower

bears what risk and the extent to which consumers are willing to bear any risks to keep bills affordable – should they pay now or later?

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

Key substantive issues

Service

CitiPower operates a dense network with a higher reliability standard (due to encompassing Melbourne's CBD) and, to support this, high levels of redundancy in its network infrastructure (to mitigate the impact of faults). Because of this, it has higher levels of reliability, on all measures (e.g. fewer supply interruptions and momentary outages, less time off supply per year and per outage), than the other Victorian networks. Nevertheless, both residential and business CitiPower customers, including businesses, cite the maintenance of current reliability levels as a chief concern, and we support a continuing focus on this issue.

Vegetation management

The proposal includes a step change in investment in vegetation management, which we support. This is necessary for the business to demonstrate to Energy Safe Victoria that it is fully compliant.

Tariffs

Victorian Government policy, which is opposed to mandatory moves to time of use tariffs, has a significant impact on the distribution companies' proposals.

The consumer preferences reflected in the draft proposals were developed through both direct engagement with households and communities in the three network areas and broader engagement by all five Victorian electricity DBs to ensure there is consistency across the state.

The CAP is supportive of the business' engagement on this issue, both individually and with the other Victorian distribution businesses. The engagement was detailed, included a diverse group of customer classes, consumption types and those with various community energy resources.

The joint electricity DB tariff consultation explored in detail various tariff propositions, including not introducing tariff reform and the implications of no new tariffs, and various new tariff options such as time of use tariffs and two-way pricing. In addition, consultation included time of use tariff structures and reassignments, time of use price signals and a community energy resource tariff.

Consumer preferences were supportive of the introduction of a solar soak tariff with a shorter peak period and keeping the tariff consistent throughout the year.

Consumers were also supportive of both assigning new customers onto and reassigning all existing consumers to the (daytime saver) time of use tariff on the date of the commencement of the electricity distribution price review 2026 - 2031. This reassignment to new tariffs had the caveat that education and information informing of the change would be forthcoming, and warnings and messaging to consumers were seen as critical to inform and assist consumers of the change to tariffs so they could optimize their situation and were aware of the impacts this may have for them.

Consumer support for these changes was based on enabling the transition to net zero; addressing concerns about cross subsidy between solar and non-solar households; and

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

creating the foundation for a broader energy transition such as the electrification of reticulated gas, transport and other behind the meter investments that household will make such as home batteries.

The Victorian distribution companies had an extensive consultation regarding the strength of the price signals that should apply to any new tariffs. Three options were put to consumers – weak, medium and strong – again after consultation. It was agreed that the strong price signals option was preferred. It was agreed that due to the significant and once in a generation transition of the energy sector to net zero and the electrification of the economy allowing the sound foundations in tariffs would ensure the most equitable and speedy transition possible.

Several consumer advocates, including some CAP members, wrote to the minister expressing concerns with the government policy position. These consumer representatives then met the minister and raised concerns with the opt-in only option.

Implications of the opt-in-option regarding future tariffs include impacts on community energy resources integration, network utilisation, and both capital and operating expenditure, as well as equity issues for consumers and the potential to limit CER integration and carbon emission reductions.

There is ongoing work both by the networks to ensure that cost reflective tariffs are implemented and as importantly taken on board by as many consumers as possible as soon as possible. Targeted conversations should also be made on optimal EV charging and with dual fuel (gas) households on how best to electrify.

The Victorian distribution businesses should continue to work with the Victorian Government to develop an approach to transition all residential customers to the proposed time-of-use tariffs over the 2026–31 period in a way that manages perceived and actual adverse impacts on vulnerable customers. In the absence of government support to move forward on time-variant tariffs, the businesses should explore other ways to ensure the costs of CER and electrification enablement are distributed fairly.

Consumer vulnerability

We welcome the commitment by the business to do more to support consumers in vulnerable circumstances. This is an area of investment generally supported by customers, subject to some valid queries about the appropriate role of an electricity distribution network relative to other businesses and agencies.

The AER has done some important working this area, publishing its strategy on consumer vulnerability in 2022 and more drafting a toolkit to support this. However it has focused on the role of energy retailers and embedded networks, even though distributors have a unique position as customer-facing businesses too. We would like to see the regulator expect more of energy networks such as CitiPower.

There are some positive steps in the proposals, but there is scope for establishing a more coherent, holistic approach to the work of the business on vulnerability. The business should

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

collaborate with expert agencies to create a vulnerable customer strategy³ that pulls together all the different elements, building on what is here but going further.

We would like the business to focus most on where it is uniquely well-placed to make a difference on vulnerability. This is not only in relation to crisis situations, where it has already demonstrated real focus and is rightly investing further. It could for example explore working with others to map vulnerability in its areas, to support not just its own work but also others such as retailers. This is an established function of UK distribution businesses⁴.

³ See for example the SAPN vulnerability strategy - <https://www.sapowernetworks.com.au/public/download.jsp?id=320654>

⁴ See for example SP Energy Networks: https://www.spenergynetworks.co.uk/pages/our_vulnerability_map.aspx

Customer Advisory Panel report on Draft Proposals for 2026-31 reset CitiPower

Additional points of detail

Customer assistance package

CitiPower's draft proposal suggests that the CAP supports the business funding a Customer Assistance Package. We certainly support the concept of the Package, which aims to support customers in vulnerable customers, help people through the energy transition, and provide targeted help for First Peoples communities.

We took part in a session where we advised the business on which options should be prioritised. At that time, we suggested that the proposed levels of spend were insufficient given the ambition of the proposed initiatives and we asked the business to reflect on whether these programs are really viable with such limited investment, and whether co-investment with other relevant parties or adjustments to the programs to reflect available resources could be made.

It should be noted that the CAP did specifically support the First Peoples Program as it was developed in partnership with the First Peoples Advisory Committee; but was still concerned about the whether the allocated resources were sufficient.

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| Package | CitiPower (\$M) |
|--|------------------------|
| Energy Care | \$0.48 |
| Community Energy Fund | \$0.44 |
| Vulnerable Customer Assistance Program | \$0.35 |
| Energy Advisory Service | \$0.79 |
| First Peoples Program | \$0.60 |
| Total | \$2.66 |

In the final draft proposal, the proposed investments are largely unchanged. These programs are welcome and needed to support a just energy transition, but will need to be coordinated, responsive to customer and community needs and well-resourced to be effective. Expenditure earmarked for the programs is modest and must be uplifted (perhaps by additional resources from delivery partners). **The CAP recommends that CitiPower provide more detail about how the package will be designed and implemented, including demonstrating how it will take a more holistic approach, engage with partner organisations in delivery, and be underpinned by a vulnerability strategy, and be focused on the aspects of the programs where CitiPower is uniquely placed to have greatest impact.**

Recommendations

In its final proposal,

1. The CAP recommends that CitiPower makes a clearer connection between customers' views and the relative weighting given to investment priorities set out in the draft.
2. The CAP recommends that CitiPower undertakes more comprehensive engagement with C&I customers that captures the significant differences between different types of C&I customers and ensures their views are adequately considered in its proposal.
3. The CAP recommends that CitiPower gives more detail in the final proposal about how it plans to manage the uncertainty in forecasts of energy usage changes due to the movement of the economy toward net zero, and the changes in costs and thus prices that could result.
4. The CAP recommends that CitiPower provides more detail about how the Customer Assistance Package will be designed and implemented, including demonstrating how it will take a more holistic approach, engage with partner organisations in delivery, be underpinned by a vulnerability strategy, and be focused on the aspects of the programs where CitiPower is uniquely placed to have greatest impact.
5. The CAP recommends that CitiPower (in partnership with the other Victorian distribution businesses) should continue to work with the Victorian Government to develop an approach to transition all residential customers to the proposed time-of-use tariffs over the 2026–31 period in a way that manages perceived and actual adverse impacts on vulnerable customers. It should also identify ways to facilitate increased customer understanding of how ToU tariffs could benefit them in order to increase voluntary adoption and build a stronger evidence base of the impact of ToU tariffs on different types of customers.