RELATED PARTIES

UE RIN 10 – PUBLIC

2026–31 REGULATORY PROPOSAL

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1. Overview

This appendix provides information on our corporate and organisational structure in place or expected to be in place during the 2026–2031 regulatory period. The appendix response to the clause 4.15 of the Final 2026–31 Reset RIN for CitiPower.

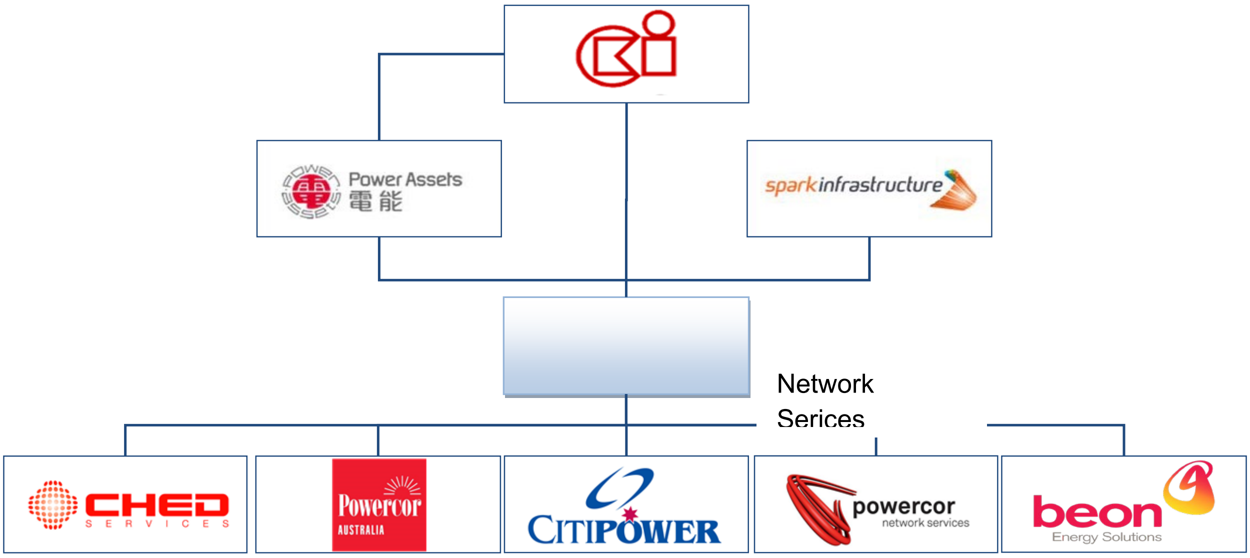
2. Corporate structure

Our ownership is divided between CK Infrastructure, Power Assets Holdings and Spark Infrastructure:

- CK Infrastructure and Power Assets Holdings, which are members of the CKI Group of companies, based in Hong Kong, hold a 51 per cent stake in our business
- Spark Infrastructure is a privately owned company. It is owned Pika Holdco Pty Limited, which is an entity owned by funds and/or investment vehicles managed and/or advised by Kohlberg Kravis Roberts & Co. L.P. and/or its affiliates, Ontario Teachers' Pension Plan Board and Public Sector Pension Investment Board. Spark Infrastructure holds a 49 percent stake in our business.

This ownership structure is shown in figure 1.

FIGURE 1 GROUP STRUCTURE



Our corporate structure includes related parties that contribute to the provision of distribution services. These related parties are discussed below.

2.1 CHED Services Pty Ltd

In 2005, CHED Services Pty Ltd (CHED Services) was created as a separate legal entity to provide specialist corporate services. These services are provided to us under a Corporate services agreement. CHED Services also administers a discretionary risk management scheme (DRMS) of which we are a member. These service agreements, and the DRMS, are discussed in section 1.2.

2.2 Network Services Pty Ltd

In 2008, Network Services Pty Ltd (Network Services) was created as a separate legal entity to provide specialist construction and maintenance services. These services are provided to us under a Network services agreement. This service agreement is discussed in section 1.2.

2.3 Powercor Australia Ltd

Powercor Australia Ltd (Powercor) is a related party. We, and Powercor, each hold separate electricity distribution licences for defined geographical electricity distribution areas in Victoria. Both networks are jointly managed and operated.

2.4 Energy Solutions Pty Ltd

Energy Solutions Pty Ltd, trading as beon Energy Solutions (Beon), provides contestable energy services to third parties.

2.5 Beon Aerial Services Pty Ltd

Beon Aerial Services Pty Ltd (Beon Aerial Services) is 100 per cent owned by Victoria Power Networks who also own 100 per cent of CitiPower. Beon Aerial Services provides aerial asset and vegetation inspection services.

2.6 Local Civile Pty Ltd

Local Civile Pty Ltd, trading as Civil Locale, is 50 per cent owned by Beon. Civile Locale provides a comprehensive range of civil services, including excavation, trenching, joint holes, installation of conduits and low voltage cable, service/asset locating, non-destructive digging, traffic management, scoping of works, shoring, temporary and permanent reinstatement, and vegetation management.

2.7 ENEA Australia Pty Ltd

ENEA Australia Pty Ltd, trading as Blunomy, is 49 per cent owned by Beon. Blunomy is a multi-disciplinary consulting firm specialising in energy and energy transition related issues.

3. Service agreements

We have entered into service agreements with related parties. These service agreements are set in table 1.The confidential supporting documents are attached with our regulatory proposal.

TABLE 1 SERVICE AGREEMENTS BETWEEN RELATED PARTIES

AGREEMENT	PROVIDER	RECIPIANT
Corporate services agreement	CHED Services	CitiPower
Network services agreement	Network Services	CitiPower
Discretionary risk management scheme	CHED Services	CitiPower
Resource agreements	CitiPower	CHED Services and Network Services
Cost sharing agreement	CitiPower	Powercor
Aerial survey agreement	Beon Aerial Services	CitiPower
Supply of vegetation management services	Civil Locale	CitiPower
Consultancy services	ENEA	CitiPower

All our service agreements have been directly negotiated with our related parties. They have not been subject to a competitive tender process. Negotiations with related parties are undertaken on a stand-alone basis. Individual engagements are not part of broader operational agreements.

The service agreement negotiations are undertaken under established governance principles for the engagement of related parties. The principles ensure commercial contract terms, including:

- the service provider is required to pass through scale efficiencies where it provides the same or similar services to other entities. This provides efficiencies that would not otherwise be available to us operating on a stand-alone basis
- the service provider may be penalised (through lower payments) should it repeatedly underperform relative to key metrics
- we do not have an obligation to accept offers from Network Services for project services. Further, there is express provision in the network services agreement for us to seek competitive tenders for similar services to those provided by Network Services. This ensures Network Services faces an incentive to price services efficiently
- we are only required to pay for the services we receive from related parties. This mirrors the competitive market supply of services
- we can terminate the agreements with 60 days' notice or if the other party is in breach of an essential term and does not remedy the breach.

These service agreements have enabled scale and scope efficiencies that would not otherwise be available if we operated on a stand-alone basis. These efficiencies are supported by the following:

- the AER's benchmarking analysis shows that we are amongst the most efficient distribution network in Australia. A key driver of our overall efficiency is the structure and rigour of our related party transactions
- the AER has previously stated that given the incentives to minimise costs in the regulatory regime—such as the efficiency benefit sharing scheme (EBSS)—the revealed operating costs of a distributor are likely to be a reasonable approximation of efficient costs in the circumstances of that distributor for the scope of work undertaken. Our total operating expenditure has been subject to an EBSS throughout the 2021–2026 regulatory period. Consistent with the incentive framework, therefore, we believe our actual operating expenditure in our base year (2024-25) to be efficient
- as a privately owned business we have an obligation to maximise returns to shareholders. This contrasts with publicly owned utilities that may face competing, non-commercial incentives that limit their responsiveness to profit based incentives
- as a privately owned business, we also face scrutiny on our financial performance, beyond that of the regulator. For example, we raise financing from multiple parties. These multiple parties each continually monitor our performance, and the consequences of poor management—such as incurring inefficient costs impact on the capacity of the business to raise further capital. This provides further discipline on us to maintain an efficient expenditure profile
- all investment cases must provide adequate information about how the investment contributes towards our longer-term strategic behaviour. Secondly, business cases require approvals from governance-committees, including the Network Investment Committee (NIC) and the VPN Investment Committee (VPN-IC). This ensures our network planning and management objectives align with our regulatory and corporate strategic objectives
- all of our proposed capital investment is appraised and approved through a single process. This ensures a consistent investment appraisal criterion is applied to all investment decisions. The governance process delegates approval responsibility appropriately to the business unit senior managers (investment lower than $600,000), the NIC ($600,000 to < $2 million) and VPN-IC (greater than $2 million). Further, this process is subject to periodic review and audit.

A description of each service agreement is provided below.

3.1 Corporate services agreement

Under the Corporate services agreement, CHED Services provides services including the chief executive officer; finance, company secretary and legal, human resources, corporate affairs, customer services, information technology and office administration. The corporate services agreement expires June 2025.

The pricing of services under the Corporate services agreement is principally based on a fixed charge plus disbursements, noting that the services may comprise standard services and project services. The pricing is subject to scheduled review and indexation for inflation.

For the purposes of the Corporate services agreement, CHED Services subcontracts services as needed.

3.2 Network services agreement

Under the Network services agreement, Network Services provides services including customer and connection services, asset replacement maintenance services, asset performance (fault) services and network development. The Network services agreement will expire in June 2025.

The pricing of services under the Network services agreement is based on a mix of fixed price services, unit rates, materials charges, labour rates and disbursements, noting that the services may comprise standard services and project services. The pricing is subject to scheduled review and indexation for inflation.

For the purposes of the Network service agreement, Network Services subcontracts services as needed.

3.3 Resource agreements

Under the Resource agreements, we provide staff to CHED Services and Network Services. In turn, CHED Services and Network Services pay us for wages and salaries (including bonuses, allowances, leave payments, fringe benefits, fringe benefit tax, payroll tax, superannuation payments and work cover payments); operating expenses that are incidental to the provision of the services (including phone calls and stationery) and motor vehicle expenses relating to provision of the services. The resources agreement will conclude in June 2025.

The pricing of services under the resources agreements is at cost.

Under this agreement services are further outsourced as needed.

3.4 Cost sharing agreement

Under the Cost sharing agreement, an annual payment is made between us and CitiPower. This payment is based on the pooling of defined overhead costs, and the reallocation of those costs to each network based on a defined formula. The difference between the reallocation amount and the actual cost incurred by each distributor is the amount that is paid by one distributor to the other.

3.5 VPN group intra-group related party contracts 2023 deed of variation

The VPN group intra-group related party contracts 2023 deed of variation has the effect of extending the term of the Corporate services agreement, Network services agreement, Resource agreements and Cost sharing agreement until 30 June 2026.

3.6 Discretionary risk management scheme (DRMS)

CHED Services established the DRMS in 2004 and continues to administer the scheme. We use the DRMS to manage exposure to events which fall outside our insurance policy deductibles.

The DRMS retains funding reserves, based on contributions we (and other clients) make, to enable CHED Services to meet the cost of claims under the DRMS. There is a 3 per cent administration fee to cover the actual costs of administering the DRMS.

3.7 Aerial survey agreement

Under the supply of Aerial survey agreement, Beon Aerial Services supplies the planning and execution of aerial survey using LiDAR technology for the purposes of asset and vegetation inspection. The data gathered from these aerial inspections is used throughout the business for safety critical activities. The Aerial services agreement will expire June 2025.

3.8 Supply of vegetation management services

The supply of vegetation management services is an agreement with Civil Locale for the provision of vegetation clearance services as requested. It is a non-exclusive agreement, that commenced September 2023. The agreement nominally expired at the end of 2024, however, has been extended for a further 12 months till 31 December 2025. It has the option to be extended again until 31 December 2026.

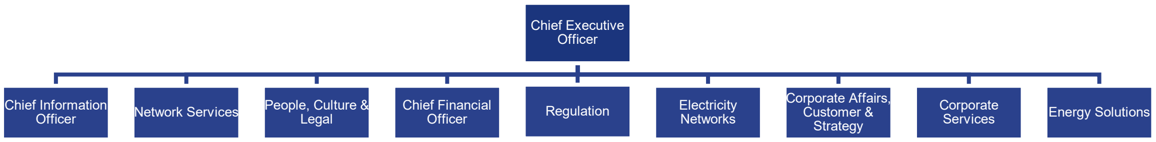
3.9 Consultancy services

The supply of consultancy services is an agreement with Blunomy for the provision of technical or engineering-based consultancy services. The principal agreement is a master agreement that will expire in August 2026 with an option to extend for a further 2 years. Individual projects are subject to their own contracts that fall under the master agreement.

4. Organisational structure

Our organisational structure is set out below, in figure 1

FIGURE 2 ORGANISATIONAL STRUCTURE



CitiPower

For further information visit:

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