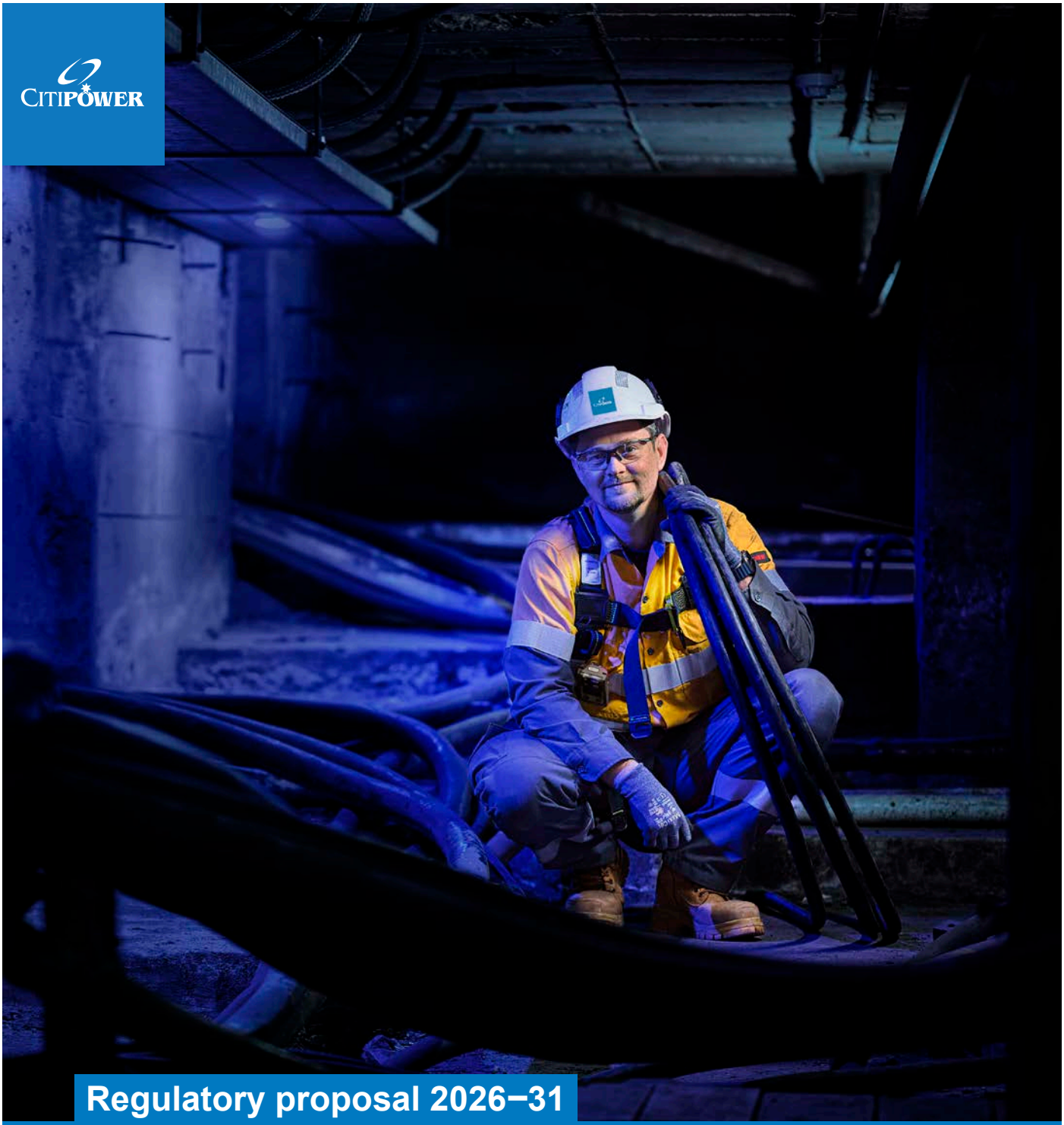
CITIPOWER



Regulatory proposal 2026–31

Part A: overview paper

What we've heard and how we're responding

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Acknowledgement of Country

CitiPower acknowledges and respects the Traditional Owners as the original Custodians of the lands and waters our networks cover; lands First Peoples have occupied for tens of thousands of years.

CitiPower pays our respects to Elders past and present and acknowledge their ancient and continuing connection to Country.

A message from our CEO
Tim Rourke

As Australia's fastest-growing capital, Melbourne's energy needs are as dynamic as the city itself. New housing and infrastructure developments are building the city both up and out and at the same time, our customers' energy needs are changing through the energy transition. By 2031, inner Melbourne's annual energy consumption is forecast to increase by 26 per cent.

As our city grows and our customers' needs evolve, the distribution network that powers them must be ready to meet this rising demand. Our customers need confidence in their electricity system to have confidence to fully electrify their own homes and lifestyles.

For the millions of Victorians that rely on it, there is also an enduring need for a highly reliable supply to the critical business, data, sporting and cultural precincts that our distribution network supports. That's why today, **our customers experience the best reliability performance in Australia**, averaging only 21 minutes off supply per annum, over 100 minutes lower than the National Electricity Market (NEM) average.

Since 2022, **we've engaged with 8,320 customers and 245 stakeholders to shape our investment plans for the 2026–31 regulatory period**. In September 2024, we published our draft proposal to test whether these plans meet our customers' expectations and priorities.

Our customers supported our draft proposal but challenged us to move faster and invest more to continue to improve service level outcomes.

We are now excited to submit our regulatory proposal to the AER, responding to customers' feedback.

Our regulatory proposal sets out $1.2 billion of capital investment, including steps toward modernising our aging infrastructure, continuing to ensure a secure supply to the CBD and supporting customer-driven electrification.

Our network charges are also the **lowest in Victoria today at $356 per annum and will remain so with no increase to residential bills between 2026 and 2031**. At the same time, our metering charges will reduce.

This sets the foundation for a future where our customers can continue to rely on us as we transition to a cleaner, more connected and electrified Melbourne

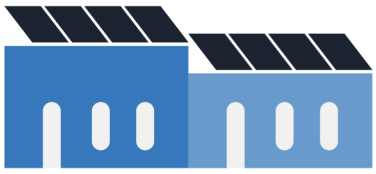
Tim Rourke
Chief Executive Officer

Delivering for our customers
Our proposal

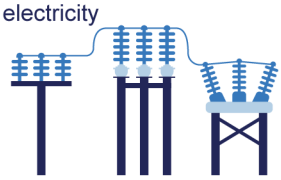
Flexible exports to allow
95%
of customers to export
99%
of the time

Connecting **5k** residential and business customers per year to our network

Better access to **capacity** for large commercial, industrial and renewable customers

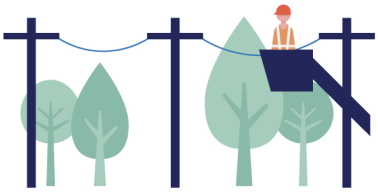


$336m
to maintain our assets to continue to provide a safe and reliable supply of electricity



$63m
to modernise ageing infrastructure in inner Melbourne

Significant uplift in cutting to reduce risks from vegetation clearance



$7m
to support vulnerable customers including targeted First Peoples programs

$19m
to meet security of supply obligations in the Melbourne CBD

$11m

to strengthen our cyber protections by aligning to the SP2+ standard

33%
of meters replaced proactively to efficiently manage cost and risk of failure

$39m
to support electrification on our LV network

We are **investing $1.2b** to deliver what our customers have told us is important to them. We will deliver all this and more **for no increase** to distribution charges, with **a $2 average yearly reduction** in metering charges.

About this document

Every five-years, the Australian Energy Regulator (AER) reviews our forecast plans for approval. This determines the services we deliver, and the revenue we recover from our customers.

In September 2024, we published a draft proposal setting out our preliminary plans for the 2026–31 regulatory period. This draft sought feedback from our customers and key stakeholders to further test or validate what we have heard from them throughout our extensive engagement program.

Our regulatory proposal builds on this draft, and represents our formal submission to the AER for the 2026–31 regulatory period. It comprises three separate parts that should be read together:

- part A – provides context for our proposal, outlines our engagement journey, and the service outcomes our customers expect us to deliver
- part B – sets out the revenue and expenditure required to deliver these service outcomes
- our tariff structure statement, which includes both our compliance documentation and explanatory statement setting out the reasons and derivation of our proposed tariffs.

Our regulatory proposal is also supported by a large volume of supplementary material, including revenue and expenditure modelling, business cases for key investments, and broader explanatory documentation.

Our network is distinguished by its high reliability and low network charges. The 2026–31 regulatory period, however, is one of critical change, as the pace and scale of electrification accelerates through the energy transition.

At the same time, economic conditions and rising input costs are making business operations more expensive, for both our networks and customers.

How we manage this change must reflect stakeholder feedback on priorities and preferred service level outcomes, including affordability. That’s why we’ve been engaging with our customers and stakeholders since 2022.

Contents

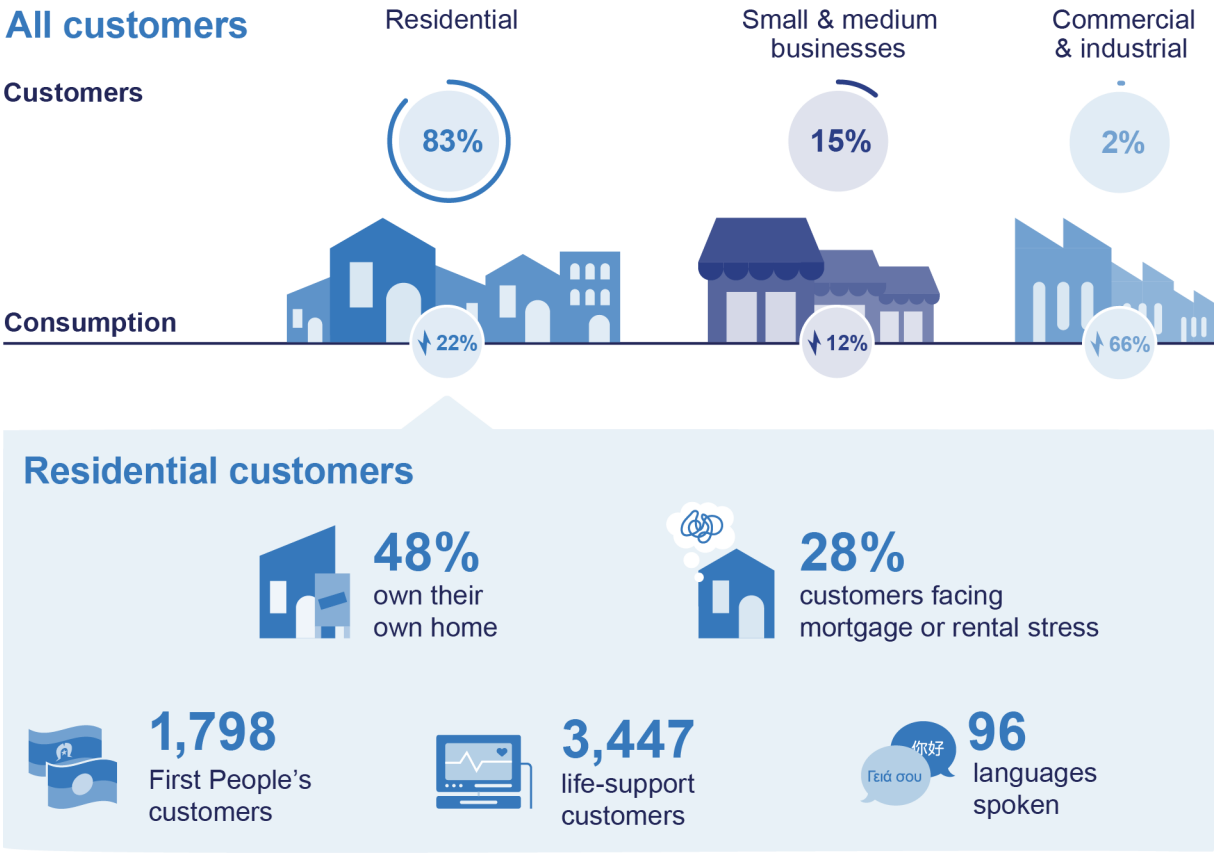
1. Who we are and what we do

As an essential service provider, we deliver electricity to a 157km^2 area covering Melbourne's CBD and inner suburbs. This area includes some of Australia's most iconic sporting and cultural facilities such as the Melbourne Cricket Ground, the National Tennis Centre and the Victorian Arts Centre.

Our network supports over 340,000 customers, with a cross-section of varying demographics and socioeconomic circumstances.

Residential households represent approximately 83 per cent of these customers, and we also support nearly 9,000 commercial and industrial businesses, and 42,000 small and medium businesses. Although households represent the majority of our customers, commercial and industrial businesses are the largest users of electricity.

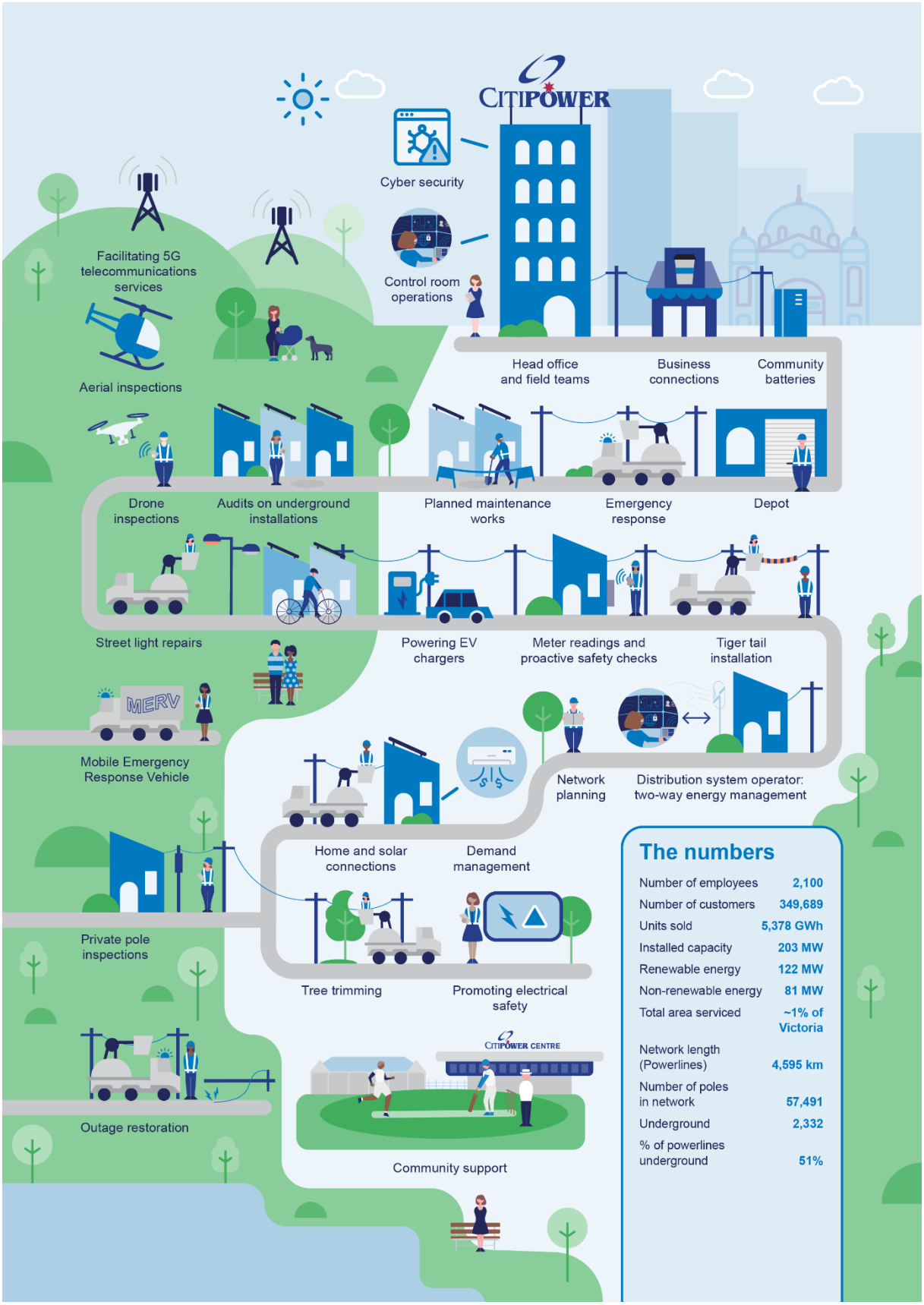
FIGURE 1.1 OUR CUSTOMER BASE



The services we provide are also vast and varied. These include our traditional activities, such as planning, constructing and maintaining our distribution assets, and emergency response.

We are always striving to improve how we deliver these and other new services to provide a better customer experience at lowest cost. This means new ways of working, like leveraging technology, and continuing to integrate customer views into our decision-making processes.

FIGURE 1.2 WHO WE ARE AND WHAT WE DO



2. Our changing energy system

The way our customers are using electricity is rapidly changing. With growing electrification and continued uptake of consumer energy resources (CER), 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.

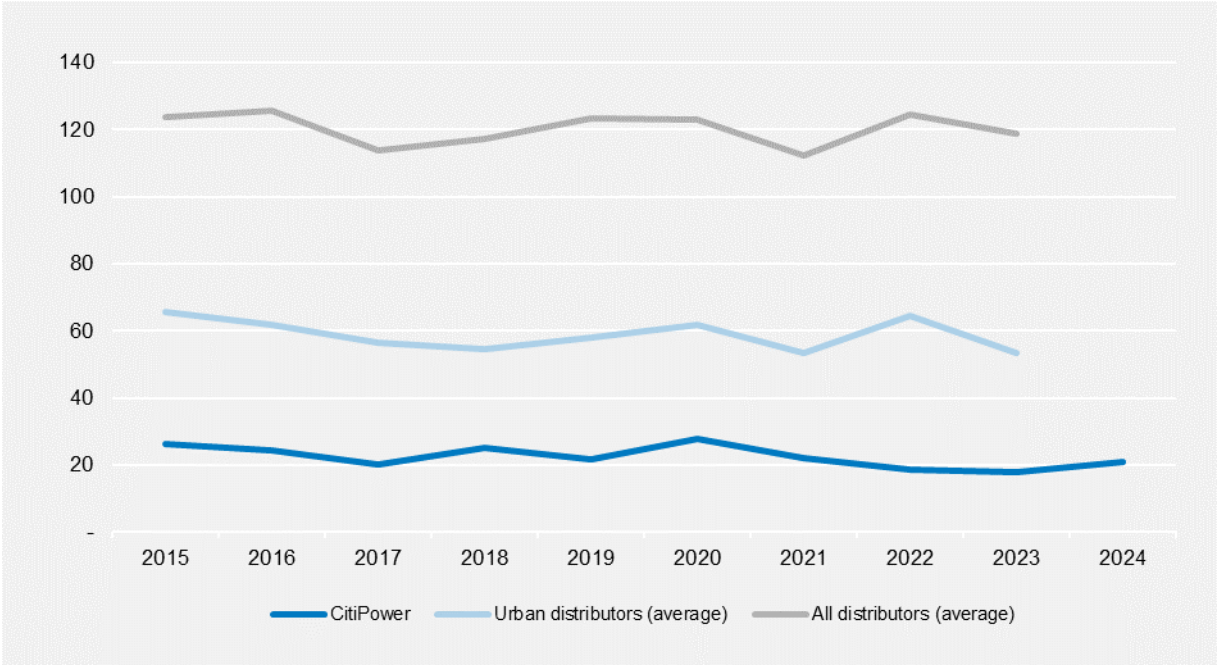
Given the scale and scope of these changes, our energy system in the future will need to function very differently to the energy system we see today.

2.1 Our current performance provides a strong foundation

Today, our customers experience some of the highest performance standards in the National Electricity Market (NEM), particularly in terms of reliability and price. These performance standards provide a strong platform on which to meet the future service challenges and demands on our network.

In 2024, for example, our customers experienced, on average, just 21 minutes off supply. The AER's most recently published network performance report (showing data to the year prior) shows this performance is significantly better than any other distributor in Australia, and reflects a sustained trend of exceptional reliability performance.

FIGURE 2.1 AVERAGE (UNPLANNED) MINUTES WITHOUT SUPPLY PER CUSTOMER

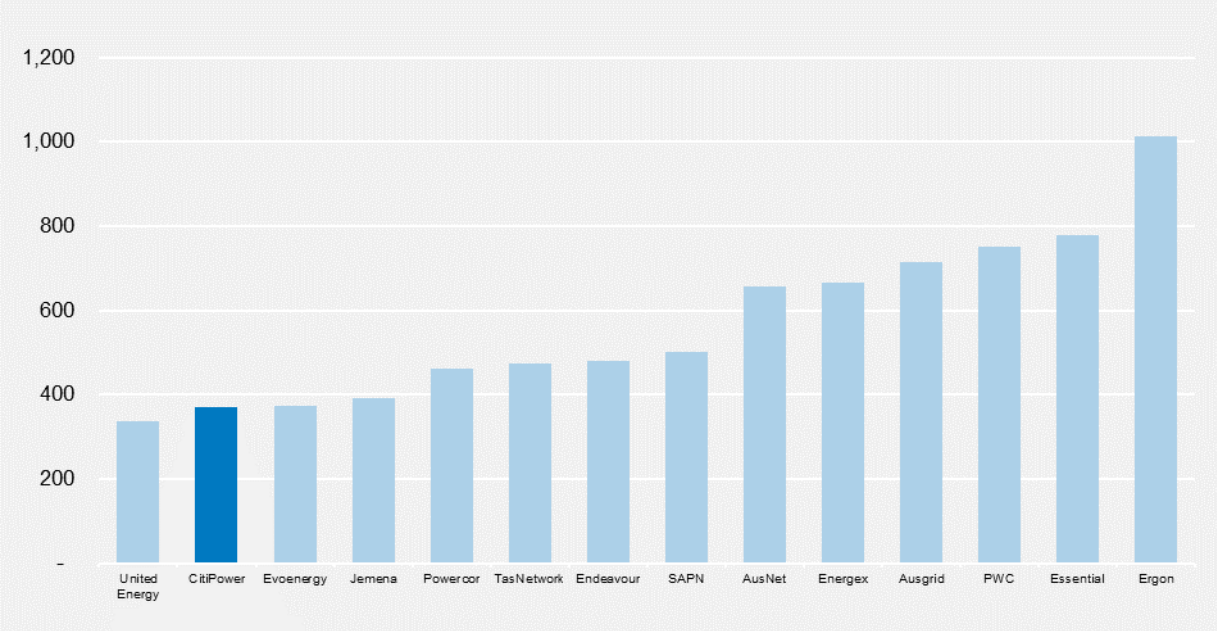


Source: AER, Electricity network performance report 2023, 21 July 2024

A key enabler of this performance is the extent of our underground network, and the highly meshed design that provides for alternative supply pathways in the event of an outage. In the CBD, this is further supported by our security of supply obligations, which mandate higher planning standards.

This ability to transfer load around our network has allowed us to manage efficient levels of network risk. This is complemented by our long-standing use of probabilistic planning and risk-based asset management practices, and robust governance practices that continually test and challenge the prudency of investments. As a result, we have amongst the lowest regulatory asset bases (RAB) per customer, and per energy delivered—in effect, we deliver more for less.

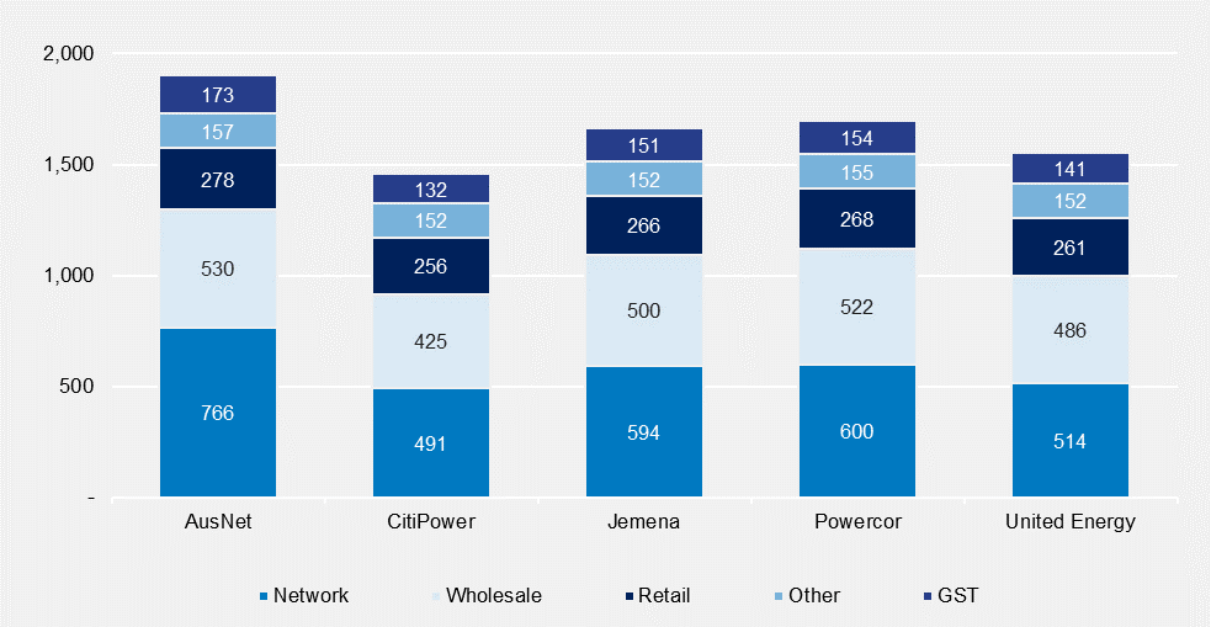
FIGURE 2.2 RAB PER ENERGY DELIVERED ($'000/GWH)



Source: AER, Electricity network performance report 2023, 21 July 2024

At the same time, our customers face the lowest network charges in Victoria and second-lowest nationally, with our average residential distribution charges having reduced in real-terms over the 30-years since privatisation. A comparison of the most recent Victorian Default Offer is shown below.

FIGURE 2.3 RESIDENTIAL VICTORIAN DEFAULT OFFER: 2024–25 ($)



Source: Essential Services Commission, Victorian Default Offer 2024-25 Decision Model

2.2 Electrification will transform our existing network

Our strong track record to date, on both service levels and price, has us well placed to respond to the change drivers that will accelerate through the 2026–31 regulatory period. But the scale and scope of these change drivers is unprecedented.

For example, by the end of the 2026–31 regulatory period, we expect 28 per cent of our customers will drive electric vehicles (EVs), compared to around 3 per cent of customers today. This is based on updated Australian Energy Market Operator (AEMO) forecasts and supported by existing Victorian Government policy, including its target of 50 per cent of all new light vehicle sales to be zero emissions vehicles by 2030.

The Victorian Government's Gas Substitution Roadmap also outlines the pathway to transition away from residential gas, with the first key step being the ban on new residential gas connections from January 2024. Victoria is more dependent on gas than any other jurisdiction in Australia—around triple the average annual consumption of New South Wales and South Australia customers, and almost seven-times the usage of Queensland—and our analysis indicates the electrification of gas will result in over 2,600GWh of additional electricity being consumed per year by Victorians (primarily for space and water heating).

At the same time as these 'new' electrification sources are growing, so too is our population.

In 2023, Melbourne overtook Sydney as Australia's largest city. This continued a trend of strong population growth within our network boundaries, characterised by higher density construction, with single-dwelling premises becoming multi-story and all-electric.

By 2031, Victorian Government projections are for an additional 900,000 people living in Victoria. Over 105,000 of these people will live and work in our network area.

The scale of renewable generation will also increase rapidly throughout the 2026–31 regulatory period, with 65 per cent of Victoria's electricity expected to come from renewable sources by 2030 before reaching 95 per cent by 2035.

Much of the renewable generation on our network is provided by solar photovoltaic (PV), with over 100MW of rooftop systems now installed by our residential customers. The capacity of this rooftop solar has doubled in the last five-years, and is forecast to triple again by the end of 2031.

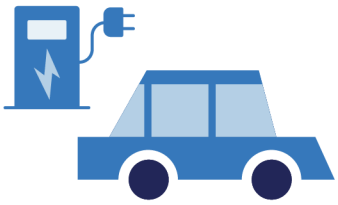
While rooftop solar provides many benefits, including savings for customers and a reduction in Victoria's carbon emissions, rapidly increasing solar uptake can also lead to system security challenges such as minimum system load.[1] During December 2023, for example, Victoria set a record low for minimum operational demand.

[1] Minimum system load typically occurs when demand from the grid is low and the output from solar is high, and can lead to local or state-wide blackouts.

FIGURE 2.4 OUR OPERATING ENVIRONMENT: NOW AND IN THE FUTURE

We operate one of the **most utilised** CBD networks in Australia

3% of customers have EVs



Increasing government and community **expectations to meet net zero**

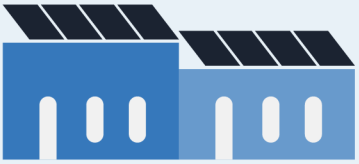
Significant **cost increases** across the supply chain and **rising energy induced vulnerability**

Higher CBD security of supply requirements

630km of underground cable approaching **end-of-service life**

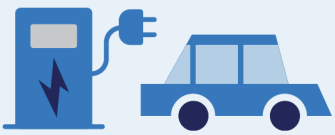
By 2031...

Additional **105,000 people**



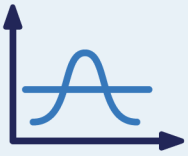
Victorian **renewable generation to double**

No new residential gas connections



28% of cars on the road will be EVs

Multiple system security **emergency events**



Customer behavioural trends are **increasing dependence on a reliable supply at home**

Source: AEMO and Victorian Government forecasts, and internal analysis

2.3 We have limited headroom to absorb additional growth

The legacy design of our inner-city network comprises sections of lower capacity and poorer condition assets. The highly segmented and meshed nature of our network has allowed us to efficiently manage this risk over time through our ongoing modernisation program.

For example, we have progressively offloaded and decommissioned several aged zone substations, driven by their underlying condition and risk. This has allowed us to maximise the safe utilisation of our existing assets, while only triggering zone substation re-builds at the optimal timeframe.

The extent of electrification outlined previously, however, will challenge our existing network. Increasing consumption—growing by 26 per cent to 2031—and deteriorating condition means the likelihood and consequence of asset failures is rising, while growing peak demand will exceed existing capacity limits.

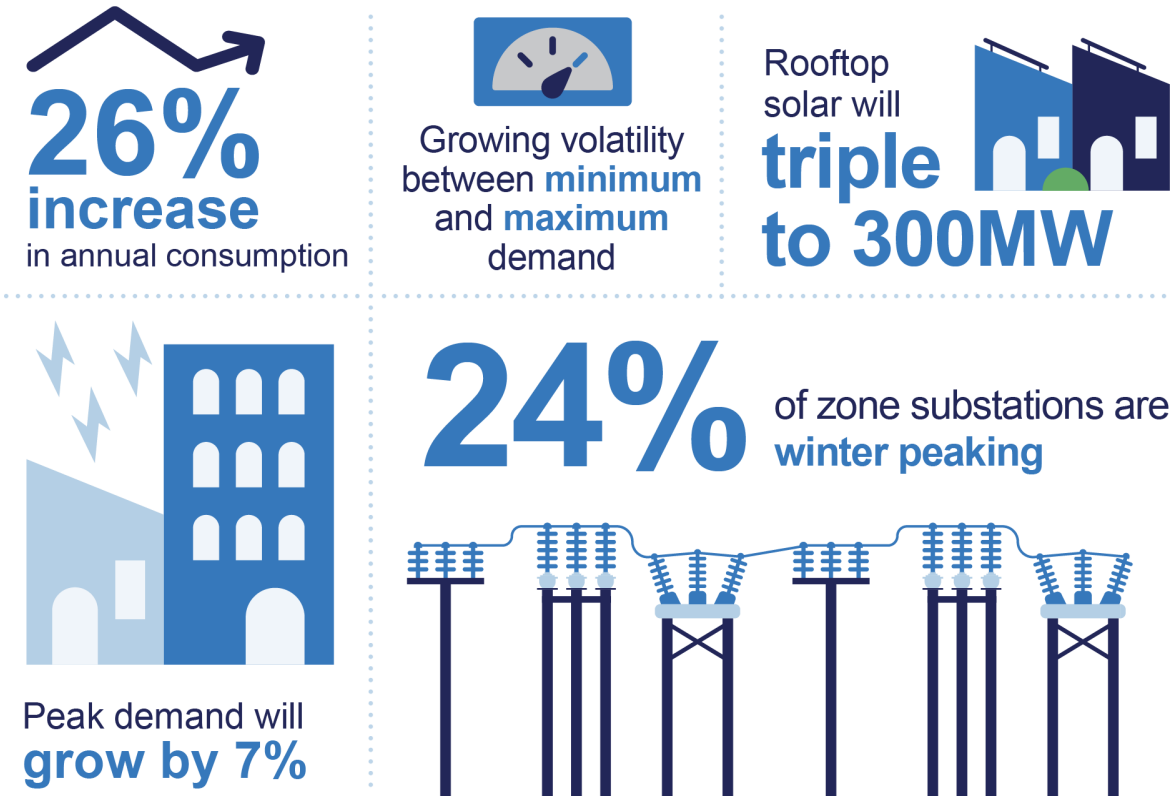
Understanding the potential impacts of this operating environment is critical, as customers need confidence in their energy system to have confidence to fully electrify their homes and lifestyle.

We have invested heavily, therefore, in enhancing our forecasting ability. For example, we now model both capacity and voltage constraints down to our low-voltage (street) circuit level. This allows us to test localised network impacts holistically, including any sensitivity to customer charging behaviour and geographic factors such as localised concentration of load and export.

How we manage these impacts, as well as other emerging drivers such as behavioural trends and rising input costs, will reflect stakeholder feedback on priorities and the preferred service level outcomes outlined in the following section.

It is clear though that decisions made now must be fit-for-purpose for future needs.

FIGURE 2.5 NETWORK-WIDE IMPACTS OF LOCALISED GROWTH



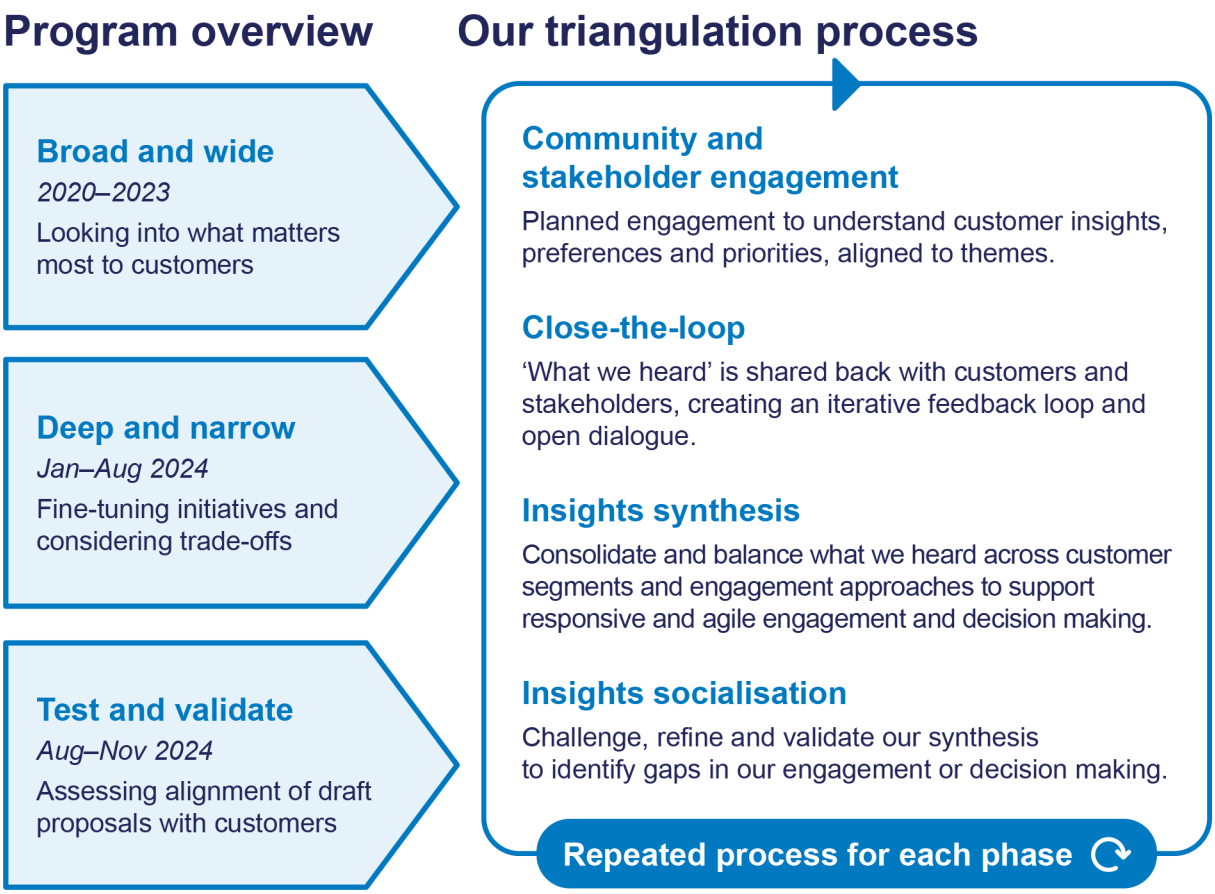
Note: Peak demand is calculated relative to previous highest network peak

3. What we've heard

In 2022, we commenced a comprehensive engagement program to shape our regulatory proposal. This program aimed to meet AER expectations, and ensure customer feedback from our broad customer base influenced our current and future operations and service delivery plans.

An overview of our engagement approach is outlined in figure 3.1, and a comprehensive summary of our engagement program and key findings is provided as an attachment to our regulatory proposal.[2]

FIGURE 3.1 OUR APPROACH TO ENGAGEMENT



3.1 Ensuring our customer voices have been heard

Our engagement program considered how to best ensure customer voices were heard and incorporated into our decision-making process. To achieve this, we partnered with independent engagement specialists and enhanced the capacity and independence of the Customer Advisory Panel (CAP).

3.1.1 Independent engagement partner

We partnered with Forethought, an independent market research and community engagement firm, to ensure the design of our stakeholder sessions (including qualitative and quantitative research activities) were conducted in accordance with best-practice engagement techniques.

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[2] CP ATT SE.01 – Stakeholder engagement attachment – Jan2025 – Public

Forethought also provided independent facilitation of engagement sessions, to provide an impartial representation of key issues, and to capture without prejudice what was heard from customers and stakeholders across all engagements. Forethought's reports on all engagement sessions are publicly available at engage.citipower.com.au.

3.1.2 Customer Advisory Panel

The CAP comprises eleven diverse and unbiased members, including an independent Chair and Deputy Chair. A total of 16 formal CAP meetings were held across 2023 and 2024, in addition to fortnightly progress meetings with the Chair and Deputy Chair.

The CAP advised on customer research, participated in specialised stakeholder-led working groups, observed our community engagements, and ensured the diverse and changing needs of our customers were properly understood, balanced and reflected in business plans. The CAP possesses specialist capabilities in consumer advocacy, regulatory strategy, energy markets, energy policy, customer protection, social research and public policy

3.2 More stakeholders than ever before have participated in our engagement program

Our engagement program has been iterative, beginning with a broad and wide exploration phase and progressing to deeper and narrower consultations. Through these phases, we connected with 8,320 customers and 245 different stakeholder representatives.

This engagement included large-scale mass forums, community workshops, focus groups, in-depth interviews, and surveys, forming the cornerstone of our triangulation process to keep customer priorities and concerns at the forefront of our planning. As we moved from exploratory engagement to deep and narrow consultation, we focused on customer outcomes and trade-offs.

To support broad participation, we designed a dedicated engagement website and utilised other media channels, such as social media, radio and our primary website. These platforms allowed us to share outcomes and keep the community and stakeholders informed throughout the process. Our goal was to enable customers to follow our journey from start to finish, be actively informed, and have the opportunity to engage directly at each stage.

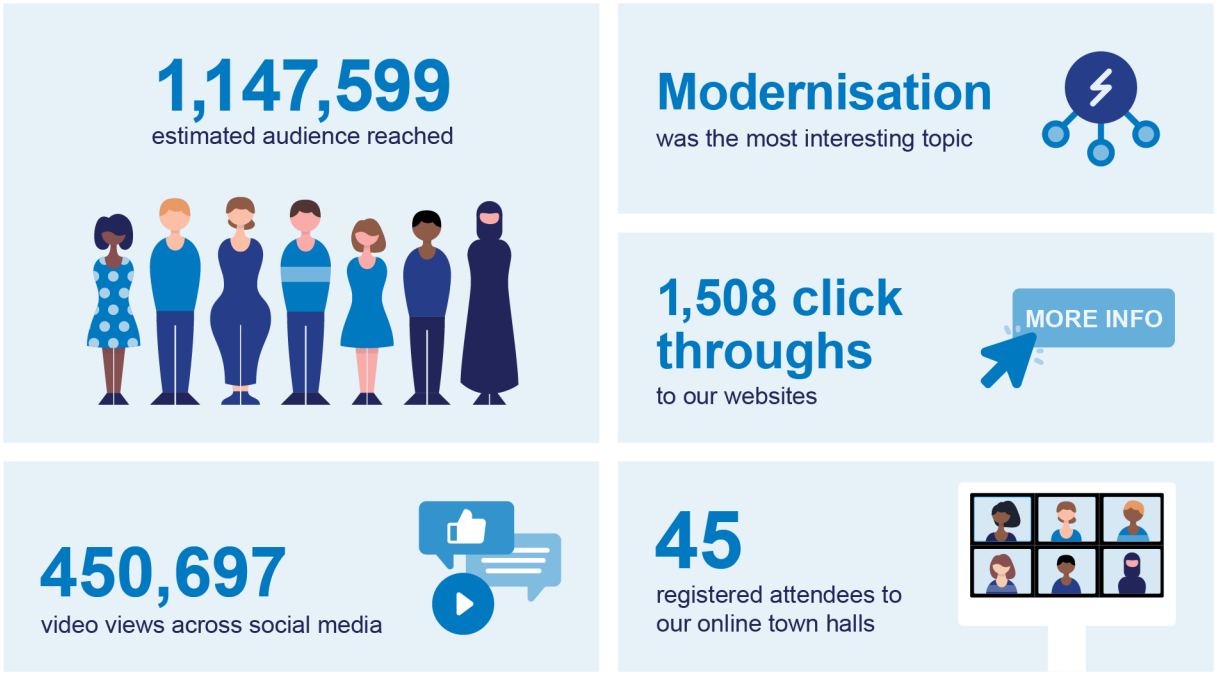
3.2.1 Our draft proposal and testing what we heard from customers

Our draft proposal, published in September 2024, provided a transparent and comprehensive view of our preliminary plans for the 2026–31 regulatory period. This also represented the start of the test and validate phase of our stakeholder engagement program, and allowed us to challenge whether our proposed response to customer feedback met their expectations and future needs.

As shown in figure 3.2, engagement from our customers and stakeholders on our draft proposal has been wide-reaching. We are committed to providing our customers the opportunity to participate in the development of our regulatory proposal, and have their voices heard.

The majority of customers supported our draft proposal, and validated that we had reasonably reflected their expectations and needs.

FIGURE 3.2 ENGAGEMENT ON OUR DRAFT PROPOSAL



CAP report on our draft proposal

In addition to stakeholder and customer feedback received during our test and validate phase, the CAP provided a detailed report on their findings on our draft proposal.[3]

The CAP found there was much to commend in our extensive and sustained program of customer and stakeholder engagement (including initial steps taken to engage fully with First Peoples), and welcomed our emphasis on affordability. Similarly, the CAP explicitly supported several investments, including our uplift in vegetation management.

The CAP also provided feedback on improvement opportunities, such as the following:

- there is scope for greater understanding of the key needs of commercial and industrial customers
- we need to make a clearer connection between customers' view and the relative weighting of investment priorities
- we could be more ambitious in some areas given the scale of the challenges ahead, particularly the need for a more strategic and holistic approach to vulnerability
- further explanation is expected on how we will cope with inevitable uncertainties in what is likely to be a fast-changing regulatory period.

A fulsome set of recommendations from the CAP is set out in their report, and we have sought to address these throughout our regulatory proposal, particularly in our detailed part B section and our stakeholder engagement attachment.

[3] CP ATT SE.30 – CAP - Report on Draft Proposal – Nov2024 – Public

3.3 What matters to our customers

From the initial phase of our broad and wide exploration into community needs, three core themes emerged as most important to customers and stakeholders. These themes are outlined in figure 3.3.

These customer themes acted as the foundation for our community engagement program thereafter, including our 'deep and narrow' and 'test and validate' phases. Specific findings from these phases are outlined further in this section.

FIGURE 3.3 CUSTOMER THEMES IDENTIFIED THROUGH OUR ENGAGEMENT

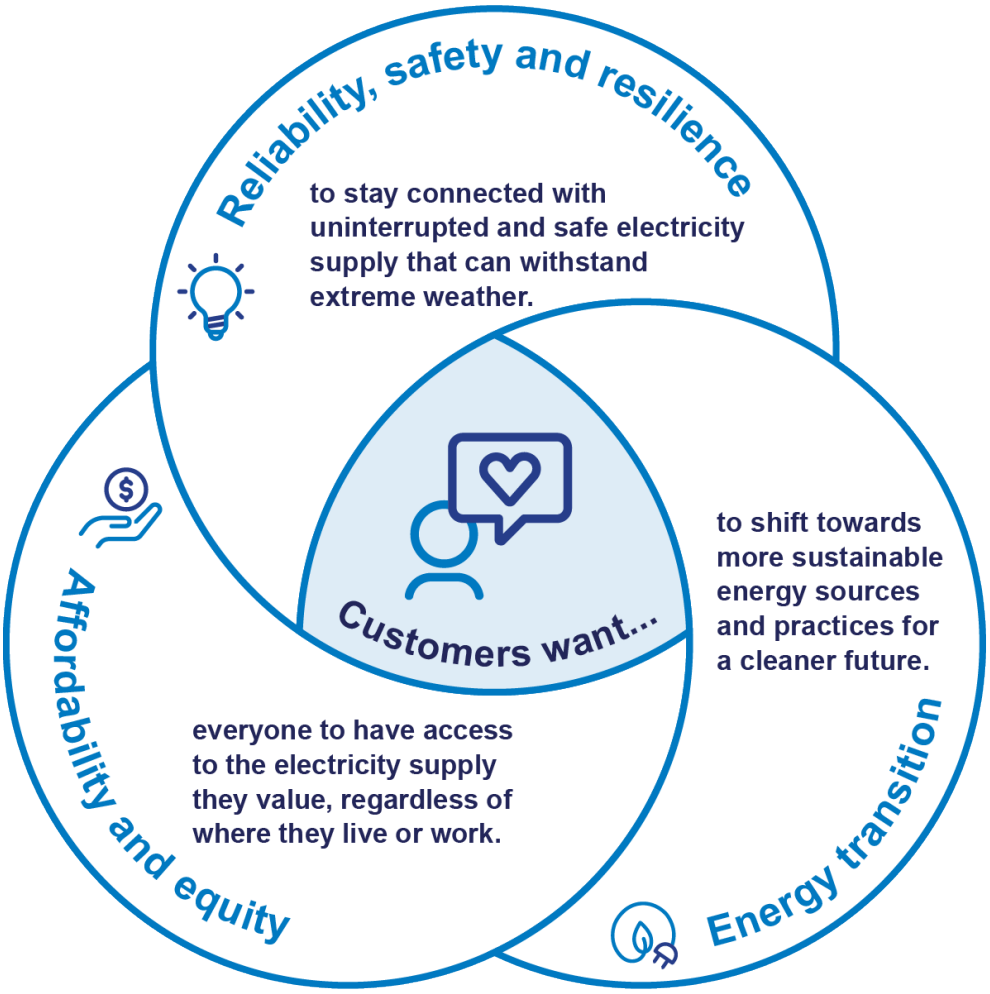


FIGURE 3.4 WHAT WE HEARD: RELIABILITY, SAFETY AND RESILIENCE

Deep and narrow

We heard customers want

- A dependable energy supply that supports health, safety, and comfort
- Reliable energy supply to remain productive without interruptions
- Commercial and industrial (C&I) supplied with sufficient energy capacity to meet their operational needs without restrictions
- An energy network resilient to climate change
- An energy network capable of managing the energy transition without compromise
- An energy supply that is resilient, but cost-effective

70%
of customers not willing to trade-off lower reliability for lower charges

52%
of customers ranked "comfort, health and safety" as their primary household value

Test and validate

We heard customers support

- Customers strongly supported the modernisation infrastructure upgrades to enhance reliability, including pro-active meter replacements, recognising the need to replace ageing assets before they become a safety risk. It was also seen as essential in ensuring the network could integrate renewable energy and support future electrification needs

73%
of residential and
71%
of business customers preferred proactively replacing meters to prevent failures

FIGURE 3.5 WHAT WE HEARD: ENERGY TRANSITION

Deep and narrow

We heard customers want

Enabling electrification

- Customers and stakeholders want an affordable and effectively managed energy transition
- The networks should reduce their carbon emissions, providing clear progress updates
- Stakeholders support demand management as a tool to support efficient network operation
- Customers and stakeholders are apprehensive of electrification citing concern with network stability/capacity and high retrofitting costs for homes

70%
of customers support $40–60m investment to proactively address network constraints due to electrification

Integrating CER

- Equitable access should be available to all customers in terms of solar benefits and network investments to allow more informed decision making and promotion of renewable energy integration
- Customers and stakeholders are seeking new network and tariff management strategies to accommodate customers being both producers and consumers of energy

71%
of customers supported bill increases to enable more solar exports for all customers

68%
of customers prefer to charge their EV at home

Test and validate

We heard customers support

- Our CER and electrification strategy, with a significant number of customers intending to electrify their homes in the next 5 years

45%
of residential customers were not willing for their distributor to control their energy usage

79%
of businesses and

53%
of residential customers plan to electricfy gas appliances within 5 years

FIGURE 3.6 WHAT WE HEARD: AFFORDABILITY AND EQUITY

Deep and narrow

We heard customers want

Supporting vulnerable customers

- Customers, especially those experiencing vulnerability, are seeking simpler and clearer energy information and resources to assist them manage their energy bills
- Improvements in network resilience should be fair with a focus on supporting vulnerable customers
- Vulnerable customers and their advocates seek safeguards to assist them to manage energy bills

65%

of customers were wiling to pay to support improvements for customers experiencing vulnerability

Low-cost and fair outcomes

- Network improvements should be affordable
- Any necessary cost increases should be introduced gradually
- New investments should provide clear value and be transparent
- Some customers are concerned with the visual appearance of network infrastructure
- All customers should have access to the benefits of renewable energy
- Stakeholders believe the burden of transitioning to renewable energy sources should be equitable
- Future tariff structures should be more adaptable to accommodate evolving energy consumption patterns
- Customers and stakeholders want to be included in decision-making around resilience and energy transition initiatives

68%

of customers were concerned about affordability and impacts on future generations

52%

of customers are renters with less opportunities to manage their energy costs

Test and validate

We heard customers support

- Clearer and more accessible information on network tariff structures. Across residential and business customers about half of the customers who participated in the quantitative survey were unfamiliar with the concept of time of use tariffs. Many C&I customers also said that they felt insufficiently informed about tariff structures, limiting their ability to provide detailed feedback
- The Customer Assistance Package initiatives, seeking equity for vulnerable customers in the network

51%

of residential customers are unfamiliar with time-of-use tariffs

4. What we'll deliver

A central tenet in the design of our engagement program has been that any proposed investments over the 2026–31 regulatory period must deliver services and outcomes that customers value. To meet this objective, we developed a set of service expectations based around the key themes identified by our customers as critical to their future energy supply.

These service expectations include initiatives where the scale or timing of investments to deliver these customer outcomes are somewhat discretionary. In these circumstances, we balanced customer feedback included directly in bottom-up inputs with further prioritisation against top-down principles.

An example of this prioritisation, for the enablement of rooftop solar, is shown below in figure 4.1.

FIGURE 4.1 INCORPORATING CUSTOMER FEEDBACK: CASE STUDY

BOTTOM-UP INPUTS	
Our approach	**How we applied to our proposal**
Identified need Using qualitative customer feedback and behavioural trends to identify service level expectations	• Rooftop solar was seen as a major part of our customers' energy future in our broad and wide engagement, and our 'Customer energy futures' service level options paper sought to understand stakeholders' preferences for solar exports
Options assessment Using quantitative customer feedback and trade-off preferences to prioritise options	• Our options paper outlined six scenarios; stakeholders supported 'solar abundance' which unlocks more solar for more customers at low cost • At our trade-off forum, there was equal support (36% each) for options where 95% or 98% of customers can freely export 99% of the time
Value to customers Using customer values to quantify economic benefits	• The AER's customer export curtailment value, value of customer reliability and value of emissions reduction were used to quantify the impact of solar curtailment, system security and emissions reduction benefits respectively • Our customer values research placed a high value on unlocking rooftop solar, and was used as a sensitivity for the quantification of benefits

TOP-DOWN PRINCIPLES

Our principles	How we applied to our proposal
Affordability No material price increases	• Our regulatory proposal includes flexible export products that vary customer export limits over time based on available network capacity • While stakeholder feedback was balanced between different service outcomes, we gave greater primacy to affordability and proposed the lowest of the supported alternatives (i.e. 95% of customers able to freely export 99% of the time) • Our flexible export products allow all customers to export excess solar, rather than reserving capacity for some and using static zero export limits for others. This is a more equitable outcome, and meets customer and government expectations on zero export limits • Flexible export products will maximise utilisation of our existing network, aligning with AER expectations on distributors • We have not proposed augmentation for additional export capacity as self-consumption benefits are expected to increase in the future • Accountability will be delivered through providing export data to government, regulators and customers
Equity Reducing systemic service level imbalances and improving vulnerable customer outcomes	
Future-focus Considering how potential solutions meet future customer needs, and 'why now'	
Acceptability Considering the capability of acceptance by customers, regulators and government	
Deliverability Only proposing what we can deliver	
Accountability Ensuring we deliver what we say we will	

Fundamentally, the service level outcomes included in our regulatory proposal have remained consistent with those published in our draft proposal, as our 'test and validate' engagement largely supported our preliminary approach. However, we were strongly challenged to do more in some areas, including investing further in our vulnerable customer package to ensure it is effective.

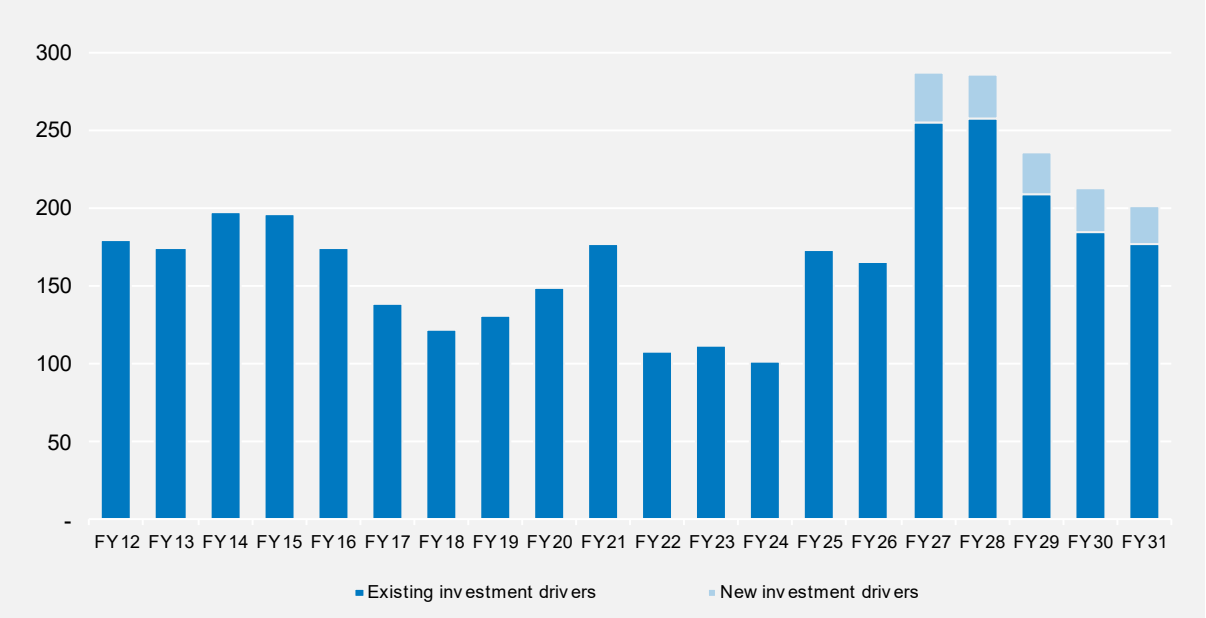
We have also updated our regulatory proposal to reflect more recently available data. This includes new large customer connections—we have three data centres on our network today, with a further four committed to connect—and our latest reported regulatory information notices (RIN) data.

To minimise the impact of these changes, we have made decisions that have lowered our proposal by over $200m. These include incorporating revised (lower) AEMO assumptions for both CER and electrification uptake, and updated timing assumptions for National Electricity Market reforms. For example, compliance timeframes for flexible trading arrangements have been brought forward, and we have removed contingencies associated with AEMO's market interface technology enhancements and CER data exchange until further detail is available.

Additionally, we have responded directly to stakeholder feedback and made greater use of contingent projects and pass-through events for large projects with uncertain timing. This approach defers the recovery of any costs from customers until (and if) specific trigger events occur.

Notwithstanding the above, the 2026–31 regulatory period remains one of considerable change, with cost drivers and growing customer needs that are beyond our capacity to control or manage with historical levels of investment. Collectively, our regulatory proposal represents a small increase in our capital expenditure forecasts relative to our draft, and an 85 per cent uplift on historical investment levels (as shown in figure 4.2).

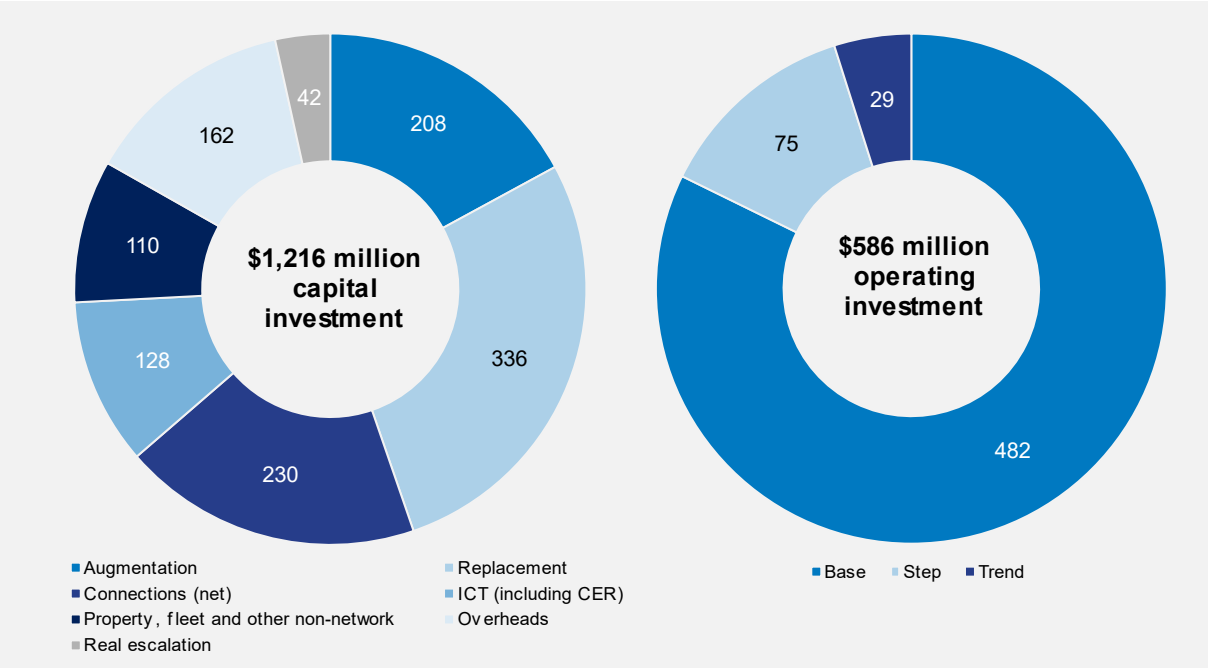
FIGURE 4.2 ANNUAL NET CAPITAL EXPENDITURE ($M, 2026)



Note: New investment drivers include, for example, customer-driven electrification and new CER investments (such as to introduce flexible services). The driver of the uplift in FY27 and FY28 includes in-flight modernisation works.

The forecast expenditure to deliver on our customer's expectations for the 2026–31 regulatory period is also summarised in figure 4.3.

FIGURE 4.3 CAPITAL AND OPERATING EXPENDITURE FORECASTS: 2026–31 ($M, 2026)



Note: Augmentation expenditure is net of disposals and the 'trend' component of operating expenditure is net of our productivity adjustment

4.1.1 Network tariffs

Overall, the expenditure impacts outlined above result in a 10 per cent increase in revenue relative to our current regulatory period. This increase, however, is largely offset by corresponding growth in consumption meaning we are proposing no increase to residential bills between 2026 and 2031.

Based on stakeholder feedback, we are adapting our network tariffs that we use to recover this revenue to reflect the changing use of our network. Our proposed tariff changes focus on encouraging more consumption in the middle of the day and less consumption in the early evening when peak demand typically occurs.

Further stakeholder feedback expressed a preference to keep tariffs simple and stable, and accordingly, we are not changing network tariffs for those customers who are less engaged with electricity. A summary of our key proposed tariff changes is included in table 4.1.

TABLE 4.1 SUMMARY OF PROPOSED TARIFF CHANGES

PROPOSED CHANGE	REASON FOR CHANGE
Add a low-priced saver period from 11am–4pm into the residential time-of-use tariff	Soak up the increasing solar exports on residential networks which will help increase solar hosting capacity and allow customers without solar to still benefit from it
Shorten the peak period from 3–9pm to 4–9pm in the residential time-of-use tariff	Adapt to the growing rooftop solar generation which is pushing the residential peak period later in the day
Introduce a new two-way opt in residential CER tariff	Provide better price signals to retailers of homes with flexible loads such as home batteries and vehicle-to-home or vehicle-to-grid
Maintain the option for customers consuming less than 160 MWh per year to opt-out of a demand tariff	Provide an opportunity for customers with low utilisation, such as EV charging stations, to establish their businesses
Introduce a trial tariff for dedicated low voltage EV charging sites, such as pole-mounted EV chargers	Provide an opportunity for dedicated low voltage EV charging sites to be more affordable by responding to price signals
Introduce a new winter incentive demand period for commercial and industrial tariffs	Adapt commercial and industrial tariffs in those parts of the network which are or will become winter peaking largely due to electrification of space heating
Introduce new non-residential flexible connection tariffs	Complement new flexible connection arrangements, for instance with community batteries, grid storage and renewable generation

Further to the above, our export tariff transition strategy takes into account the Victorian Government opposition to mandatory export charges. Our strategy is to introduce:

- a new low-priced solar soak period into our residential time-of-use tariff to encourage more consumption when solar exports are at their greatest
- a voluntary two-way residential CER tariff focussed on flexible import/export devices, such as home batteries and EVs with vehicle-to-grid capability
- a two-way flexible connection tariff targeted at connections, such as community batteries on the LV network, which are likely to be co-located with residential customers with solar exports.

Network tariffs have also been considered in our demand forecasts as key tool for managing our network efficiently, including—augmentation associated with exports is zero due to our low-cost solutions which include solar soak tariffs, EV charging profiles assume a gradual shift to prosumer tariffs, electric hot water heating is assumed to make no contribution to maximum demand, and batteries are assumed to respond to price signals reducing peak demand.

A Customer service expectations and outcomes

FIGURE 4.4 RELIABILITY, SAFETY & RESILIENCE: SERVICE LEVEL EXPECATIONS & OUTCOMES

SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
Customers want us to maintain a reliable electricity supply, with no deterioration of existing service levels	• Uplift in underground cable works to manage deteriorating condition • Continuing to upgrade, replace or refurbish assets based on risk, condition and functional failure • Uplifting our cyber security protocols to minimise the risk of a material cyber breach • Upgrading core IT infrastructure to integrate with new technologies • Re-developing our Burnley depot to maintain customer response times and support our increasing works program	
Customers expect that we manage our network safely, and in accordance with our compliance obligations	• Using aerial inspections to better manage compliance risks from vegetation clearances • Replacing inoperable switches to reduce planned outages and improve employee safety • Extending under frequency load shedding capabilities to the distribution level to minimise customers off-supply in emergency event (i.e. large generator outages) • Improved prioritisation tools to manage risk and provide more relevant and timely information during emergencies	
Larger commercial and industrial customers want us to provide capacity and ensure consistent power quality to better support their operations	• Proactive customer electrification program that will improve capacity across our network • Increasing access to relationship managers for C&I customers	

FIGURE 4.5 ENERGY TRANSITION: SERVICE LEVEL EXPECATIONS & OUTCOMES

SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
Customers expect us to manage additional capacity requirements to support electrification at lowest long-term cost	• Introducing optional time of use tariffs to encourage consumption away from peak periods • Establishing demand management platform to better test the market for lower cost non-network alternatives • Improving data visibility for customers and third parties to support better energy management • No-regrets augmentation to increase capacity once lower cost alternatives have been exhausted	
Customers want greater energy supply independence	• New flexible export products to unlock additional solar through smarter solutions (rather than building more network) • Developing capability for flexible load products to efficiently manage EV uptake in future periods • Customer package to improve agency and understanding of the energy transition • New pricing arrangements to support uptake of energy storage • Complying with new market reforms required by AEMO to accommodate the uptake of new technologies	
Customers expect us to lower carbon emissions from the provision of their electricity supply	• Continue to connect renewable generation to the distribution grid • Gradual electrification of our corporate and field fleet • Continue to remove SF6-based assets during existing replacement activities (where efficient) • Publishing our performance on lowering carbon emissions	

FIGURE 4.6 AFFORDABILITY & EQUITY: SERVICE LEVEL EXPECATIONS & OUTCOMES

SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
Customers want tools to help them manage their electricity bills, including safeguards for customers experiencing (or at risk of) vulnerable circumstances	• Customer package outlining programs to support energy literacy and provide support to customers experiencing vulnerability • New flexible and static export products available to all customers • New tariff offerings, including discounted costs during the middle of the day and pricing arrangements for energy storage • Improved availability of customer and network data, and support to analyse and interpret information • Bespoke tariffs for large commercial and industrial customers	
Customers want clear value from their network	• Developing customer commitments and measurable service outcomes that will be published annually • Continuing to evolve the Customer Advisory Panel's role in challenging business and policy positions • Expanding the First People's Committee to provide feedback on energy transition and other issues • No increases in average annual yearly residential bills over the 2026–31 regulatory period	

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