



# MATERIAL ASSUMPTIONS

UE RIN 13 – PUBLIC  
2026–31 REGULATORY PROPOSAL

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# 1. About this document

The purpose of this appendix is to meet the requirements of clause 4.2.2 of the Final 2026-31 Reset RIN for United Energy (material assumptions).

Specifically, for each material assumption we have sought to identify:

- its source or basis;
- if applicable, its quantum;
- whether and how the assumption has been applied and was taken into account; and
- the effect or impact of the assumption on the capital expenditure and operating expenditure forecasts in the forthcoming regulatory control period taking into account;
- the actual expenditure incurred during the current regulatory control period; and
- the sensitivity of the forecast expenditure to the assumption.

In addressing the requirements for clause 4.4.2, we wish to highlight that identifying the quantum and sensitivities is difficult as majority of the material assumptions identified are qualitative in nature, or their impact at an aggregate level difficult to determine.

As required under clauses S6.1.1(5) and S6.1.2(6) of the National Electricity Rules (Rules), on December 10, 2024, our Board resolved to:

1. certify, in accordance with clause S6.1.1(5) of the National Electricity Rules, the key assumptions that underlie the capital expenditure forecast for United Energy are reasonable; and
2. certify, in accordance with clause S6.1.2(6) of the National Electricity Rules, the key assumptions that underlie the operating expenditure forecast for United Energy are reasonable.

## 2. Our material assumption sources

Below are the material assumptions sources and/or basis identified and certified by our Board on 10 December 2024.

**TABLE 1 MATERIAL ASSUMPTIONS AND THEIR SOURCES**

Regulatory proposal incorporates stakeholder engagement feedback	Stakeholder engagement feedback is sourced from a comprehensive 3-phase customer engagement program (program). The program included mass forums, community workshops, focus groups, in-depth interviews, and surveys.
Expenditure forecast methodologies are consistent with and/or have regard to relevant AER guidelines	The Australian Energy Regulator's (AER) industry practice notes have complied with in all circumstances. Specifically this includes the Industry practice application note on asset replacement planning, Guidance note on non-network ICT capex forecast assessment, Guidance note on network resilience, Distributed energy resources integration expenditure guidance note, Expenditure forecast assessment guideline and Connection charge guideline.
Real escalation reflects forecast expectations of labour and non-labour growth and are developed consistent with AER expectations	Real labour price growth has been forecast averaging 2 Victorian-specific utilities industry wage price index growth forecasts being the Oxford Economics Australia forecast for electricity, gas, water and waste services, and the AER's equivalent forecast from its most recent decision.  Oxford Economics' forecasts did not include legislated changes to the Superannuation Guarantee Levy, so this was applied separately.  No real material price escalation was applied.
Demand forecasts represent realistic expectations of growth	Demand forecasts were determined based on our internal planning tool developed by Blunomy.  All key inputs to the planning tool were based upon Australian Energy Market Operator's (AEMO) step change scenario, smart meter data and Victorian Government forecasts.
Economic assessments are based on well-accepted value frameworks	All economic assessments have complied with parameters estimated by AER including the value of customer reliability (VCR), value of network resilience (VNR), value of emissions reduction (VER) and customer export curtailment value (CECV). The value of statistical life has been applied as calculated by the Commonwealth Government.  We have applied the outcomes from our 2024 customer values analysis (CVA).
Discount rates in economic analysis are relevant to the investment	Discount rate reflects expectations of returns consistent with the level of risk for a regulated distribution network.

<p>Asset management strategies and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations</p>	<p>Our asset management framework aligns with the requirements of ISO 55001.</p> <p>Forecast for major plant and equipment are primarily based on a risk monetisation approach that identifies the lowest long-term cost to customers.</p> <p>Forecasts for routine replacement of high-volume equipment, such as poles and wires, are primarily forecast based on historical defects, failures and/or statistical forecast methods that reflect prudent asset management practices.</p> <p>Unit rates are based on audited historical RIN data or observed actual costs for similar works.</p> <p>Asset class overviews are provided for all replacement expenditure categories and include business cases for key projects.</p>
<p>Network planning strategies and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations</p>	<p>Augmentation expenditure is based on demand forecasts that reflect expectations of growth and/or compliance obligations, and assessments of alternative options (including non-network solutions).</p> <p>Forecast network constraints are consistent with those published in our 2024 Distribution Annual Planning Report (DAPR).</p>
<p>CER integration and electrification strategies, and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations</p>	<p>Our customer energy resources (CER) integration and electrification strategy is based on CER uptake rates consistent with AEMO's step change scenario and/or compliance obligations.</p> <p>Expected customer outcomes reflect customer service level expectations informed by our stakeholder engagement program.</p>
<p>Resilience strategies and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations</p>	<p>Independent climate impact assessments were provided by AECOM, including for extreme rainfall (and floods), bushfires and wind.</p> <p>A representative climate pathway (RCP) of 4.5 has been applied as the central scenario for modelling purposes.</p> <p>Proposed investments are consistent with the recommendations made by the Victorian Government electricity distribution network resilience and network outage reviews.</p>
<p>Customer connection expenditure reflects economic activity and costs recoverable over all customers</p>	<p>Connection volumes reflect FY24 audited RIN data to which growth rates forecast by Macromonitor have been applied. Data centre forecasts are separately forecast applying independent LEK advice.</p> <p>Internal projections were used to forecast grid-scale storage using currently registered projects.</p>

	Contribution rates are based on historical data expect for data centres, where a forward-looking expectation of 85 per cent has been applied.
ICT strategies and associated investments are appropriate to meet capital expenditure objectives of the Rules and any regulatory obligations	<p>Recurrent ICT investments are consistent with historical costs for maintaining existing functionality. Non-recurrent ICT are based on detailed risk assessments and supported by business cases.</p> <p>Non-recurrent ICT includes investments to comply with ongoing market reforms, replace our existing billing system and uplift cyber security capability</p>
Property and fleet strategies, and associated investments are appropriate to meet capital expenditure objectives of the Rules and any regulatory obligations	Property and fleet investments are consistent with historical expenditure, and/or are supported by business cases.
Operating expenditure forecasts have been developed consistent with standard AER methodologies	A base-step-rend approach has been used to forecast operating expenditure.
Output growth applied to operating expenditure is consistent with standard AER methodologies	<p>Output growth weightings are based on the AER's annual benchmarking report.</p> <p>Ratcheted maximum demand is based on Blunomy estimates and data centre forecasts prepared independently by LEK. Customer number growth based on AEMO state-wide forecasts and allocated to each network based on Victorian Government population forecasts. Circuit line length growth based on historical audited RIN data.</p>

### 3. Our material assumption quantum and application

Below are the material assumptions quantum (if applicable), how the assumption has been used and its sensitivity (if applicable) identified and certified by our Board on 10 December 2024.

**TABLE 2 MATERIAL ASSUMPTIONS**

<p>Regulatory proposal incorporates stakeholder engagement feedback</p>	<p>Stakeholder engagement feedback is predominantly qualitative in nature. It is therefore not possible to quantify its impact or apply sensitivities. Before each chapter in Part B of the regulatory proposal, we have however presented how the feedback received has been considered in determining the forecast expenditure.</p> <p>The exception has been the application of CVA to several business cases to determine the benefits case. The use of CVA is identified in the individual business cases where it has been applied.</p>
<p>Expenditure forecast methodologies are consistent with and/or have regard to relevant AER guidelines</p>	<p>Application of the relevant AER guidelines is a matter of compliance. Therefore no quantum has been assigned to this assumption nor sensitivity analysis.</p>
<p>Real escalation reflects forecast expectations of labour and non-labour growth and are developed consistent with AER expectations</p>	<p>Real labour price growth has been applied each year. For FY26 it was 1.00 per cent, FY27 0.85 per cent, FY28 1.05 per cent, FY29 1.21 per cent and FY30 1.14 per cent. These indices have been applied to internal and external labour.</p> <p>Whilst we have not applied sensitivities to real labour escalation, the assumptions themselves represent average of 2 separate forecasts.</p> <p>The superannuation guarantee levy applied is 0.50 per cent from FY26, in line with the mandated shift from 11.50 per cent to 12.00 per cent.</p> <p>No real materials price growth has been applied.</p>
<p>Demand forecasts represent realistic expectations of growth</p>	<p>There is no single demand forecast. Maximum demand varies by asset. Where relevant, demand sensitivities are considered in individual business cases supporting our augmentation program.</p>
<p>Economic assessments are based on well-accepted value frameworks</p>	<p>Economic assessments have applied the quantum identified by the AER for VCR, VNR, VER, CECV and the Australian Government for statistical life.</p> <p>All these values are compliance obligations, so no further sensitivities were considered.</p> <p>Where we have applied CVA, the values identified in the report Customer Values Analysis have been applied.</p>

Discount rates in economic analysis are relevant to the investment	A real 3.50 per cent discount rate has been applied to all business cases.
Asset management strategies and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations	Our asset management strategies are considered internal compliance documents. No further sensitivities were considered.
Network planning strategies and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations	Forecast network constraints are consistent with those published in our 2024 DAPR.  Where relevant, sensitivities with respect to these constraints have been considered in individual business cases.
CER integration and electrification strategies, and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations	Our CER integration and electrification strategy is based on AEMO's step change scenario and/or compliance obligations.  Attached to this regulatory proposal is an appendix explaining our demand forecasting methodology, that identifies all the AEMO data series applied. Every one of the material data inputs we use related to growth is derived from the AEMO step change scenario.
Resilience strategies and associated investments are appropriate to meet the capital expenditure objectives of the Rules and any regulatory obligations	Independent climate impact assessments were provided by AECOM, including for extreme rainfall (and floods), bushfires and wind.  A representative climate pathway (RCP) of 4.5 has been applied as the central scenario for modelling purposes.  Proposed investments are consistent with the recommendations set out in the Victorian Government electricity distribution network resilience and network outage reviews.
Customer connection expenditure reflects economic activity and costs recoverable over all customers	For the relevant quantum, please refer to chapter 6 of Part B of the regulatory proposal and the report Forecasts by Region, Report prepared for CitiPower, Powercor & United Energy August 2024, Macromonitor.



<p>ICT strategies and associated investments are appropriate to meet capital expenditure objectives of the Rules and any regulatory obligations</p>	<p>Recurrent ICT investments are consistent with historical costs for maintaining existing functionality.</p> <p>Non-recurrent ICT are based on detailed risk assessments and supported by business cases.</p> <p>Where relevant, sensitivities have been considered in the options analysis for individual business cases.</p>
<p>Property and fleet strategies, and associated investments are appropriate to meet capital expenditure objectives of the Rules and any regulatory obligations</p>	<p>Property and fleet investments are consistent with historical expenditure and/or based on dedicated business cases.</p> <p>Where relevant, sensitivities have been considered in the options analysis for individual business cases.</p>
<p>Operating expenditure forecasts have been developed consistent with standard AER methodologies</p>	<p>We have applied the revealed costs methodology to comply with AER requirements.</p> <p>No quantum or sensitivity is relevant.</p>
<p>Output growth applied to operating expenditure is consistent with standard AER methodologies</p>	<p>A productivity adjustment of 0.50 per cent per annum to comply with AER requirements. No sensitivities have been considered.</p> <p>Customer numbers assumed are:</p> <ul style="list-style-type: none"> <li>• FY26 729,999</li> <li>• FY27 738,930</li> <li>• FY28 748,693</li> <li>• FY29 759,204</li> <li>• FY30 770,491</li> <li>• FY31 782,549</li> </ul> <p>For circuit length (km):</p> <ul style="list-style-type: none"> <li>• FY26 13,585</li> <li>• FY27 13,613</li> <li>• FY28 13,641</li> <li>• FY29 13,669</li> <li>• FY30 13,698</li> <li>• FY31 13,727</li> </ul> <p>Finally ratcheted maximum demand (MW):</p> <ul style="list-style-type: none"> <li>• FY26 2,143</li> </ul>

- FY27 2,143
- FY28 2,143
- FY29 2,143
- FY30 2,154
- FY31 2,214

No sensitivities were applied.



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