Regulatory proposal 2026–31

Part A: overview paper

What we've heard and how we're responding

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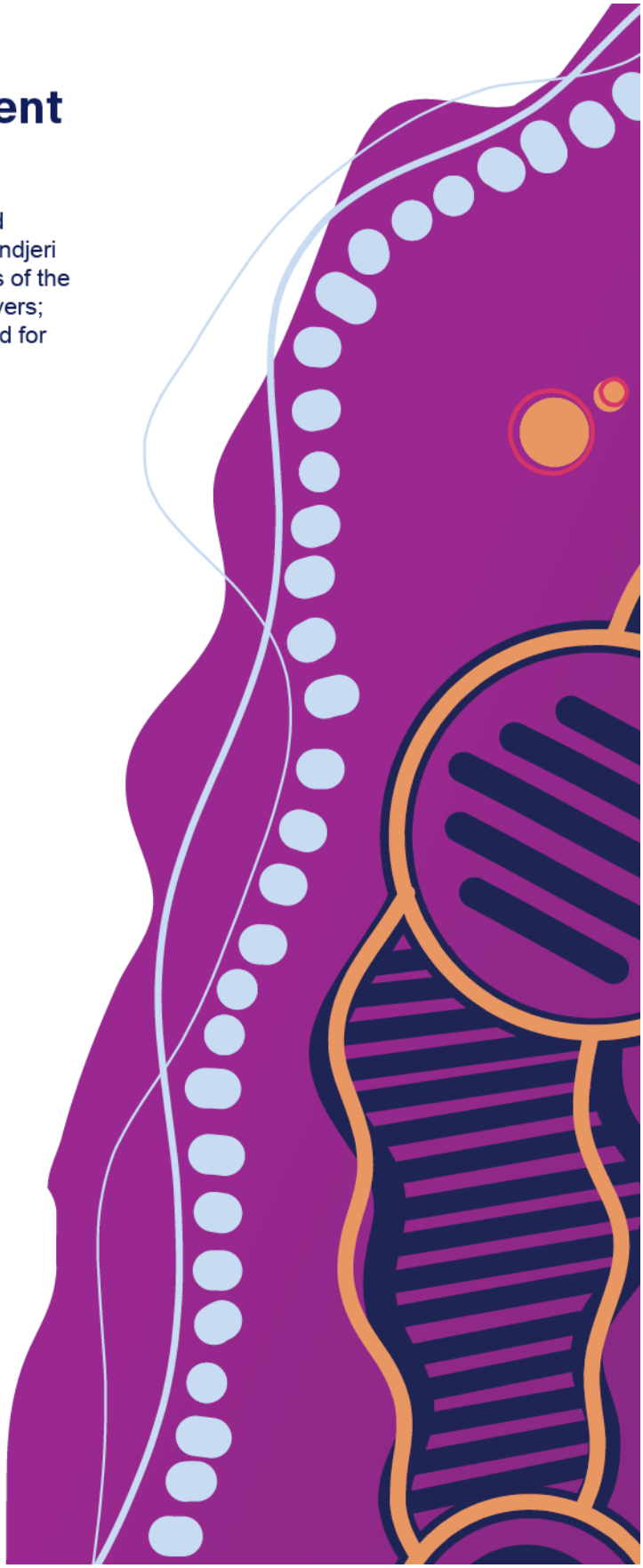
Acknowledgement of Country

United Energy acknowledges and respects the Bunurong and Wurundjeri People as the original Custodians of the lands and waters our network covers; lands First Peoples have occupied for tens of thousands of years.

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



A message from our CEO
Tim Rourke

The electrification of everything, from homes to transport, is changing our energy system. By 2031, population growth, uptake of electric vehicles and the substitution of gas loads are expected to see annual energy consumption within our network rise by 25 per cent.

Today, we manage this demand by **operating the smartest distribution network in Australia**—we use technology to maximise the use of our existing assets before we build more. United Energy's **network utilisation is the highest of any urban network** and approximately 13 percentage points above the overall NEM average.

We also provide the **second most reliable supply of electricity in Australia**. Our customers experience an average of just 33 minutes off supply per annum, which is almost 90 minutes lower than the national average. A safe, reliable and resilient electricity supply is more important than ever before and we are delivering this so our customers can have confidence in their electricity system to fully electrify their homes and lifestyles.

Since 2022, **we've heard from 8,715 customers and 146 stakeholders as we've developed our investment plans for the 2026–31 regulatory period**. Our plans are designed to continue our existing high performance, unlock more renewable energy and implement technologies to deliver new services while maintaining cost-efficiency.

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 $1.4 billion in capital investment between 2026 and 2031, including initiatives to enable customer-driven electrification, manage seasonal demand on the Mornington Peninsula and support community resilience to extreme weather. We expect to propose further investments, once more information is available, to support Victorian Government housing projects along key rail corridors.

Importantly, our commitment is to remain one of Australia's most affordable distribution networks, providing safe and reliable electricity across Victoria's south east. The above investments will result in an **average yearly increase of just $3, bringing the average residential bill to $377 over the next five years**.

We're about more than maintaining our infrastructure; it's about ensuring that United Energy continues to meet the evolving needs of our customers and enabling Victoria's energy transition.

Tim Rourke
Chief Executive Officer

Delivering for our customers
Our proposal

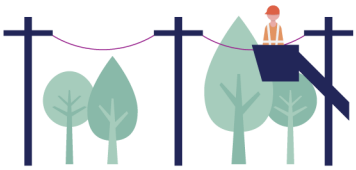
Flexible exports to allow
90%
of customers to export
99%
of the time

$15m
to support vulnerable customers including targeted First Peoples programs

$36m
to strengthen our cyber protections by aligning to the SP2+ standard

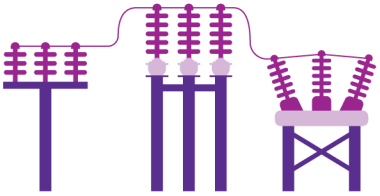
On-ground support to help communities prepare for and recover from extreme weather events

Significant uplift in cutting to reduce risks from vegetation clearance



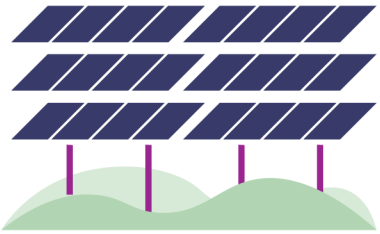
$38m
to manage growing demand on the Mornington Peninsula

$480m
to maintain our assets to continue to provide a safe and reliable supply of electricity



Connecting **12k** residential and business customers per year to our network

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



$66m
to support electrification on our LV network

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

We are **investing $1.4b** to deliver what our customers have told us is important to them. We will deliver all this and more **for just a $3 average yearly increase** in distribution charges, with **no increase** 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.

The 2026–31 regulatory period is one of critical change, as the pace and scale of electrification accelerates through the energy transition. Customer behavioural preferences are also evolving, and more frequent and severe climate extremes are making us more dependent on electricity than ever before. These changes are intersecting with typical network drivers like growth, safety and regulatory compliance, and asset risk.

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 these impacts must reflect stakeholder feedback on priorities and preferred service level outcomes. That’s why we’ve been engaging with our customers and stakeholders since 2022.

Contents

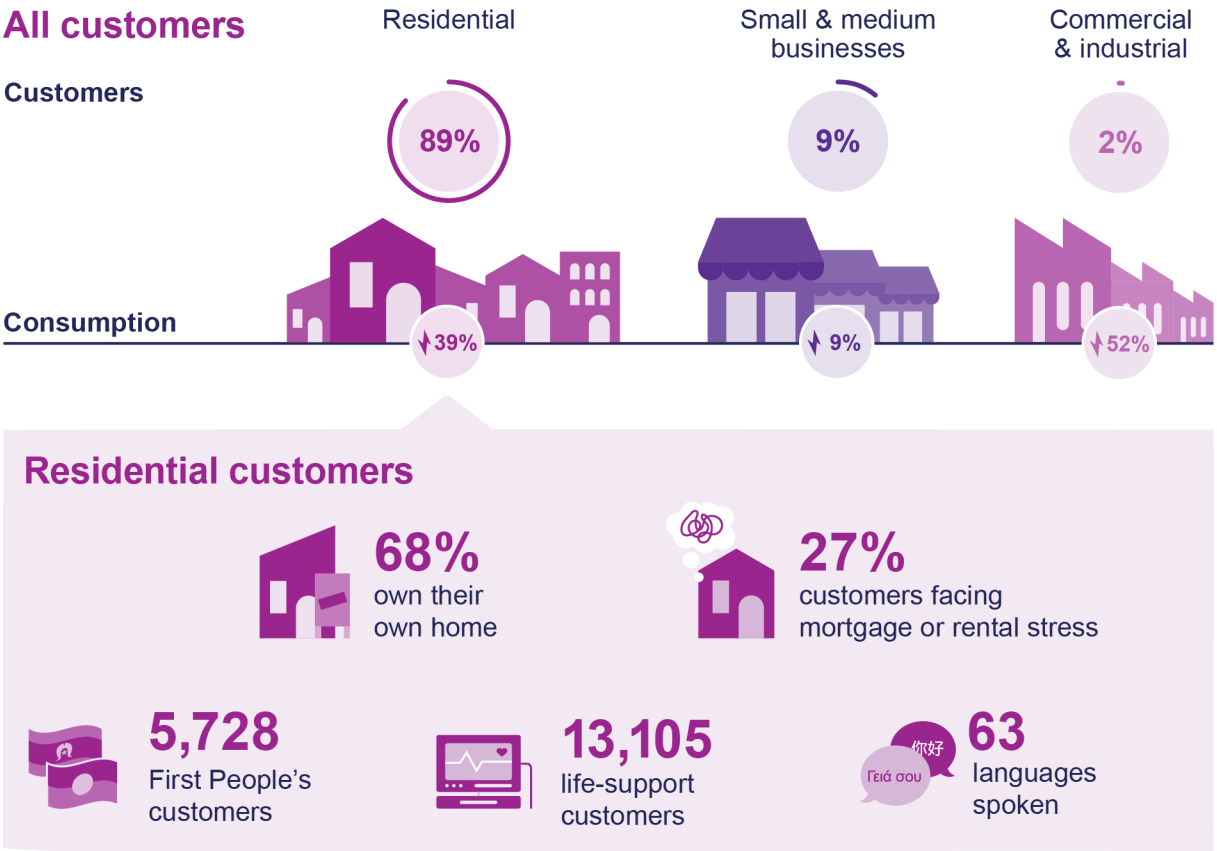
1. Who we are and what we do

As an essential service provider, we deliver electricity to a 1,500km^2 area covering the east and south-east suburbs of Melbourne, and the Mornington Peninsula. This includes the Peninsula's popular tourism industry and nearly one-third of Victoria's manufacturing.

Our network supports over 715,000 customers, with a cross-section of varying demographics and socioeconomic circumstances.

Residential households represent approximately 89 per cent of these customers, and we also support over 70,000 business, and commercial and industrial customers. Although households represent the majority of our customers, commercial and industrial businesses are the largest users of electricity.

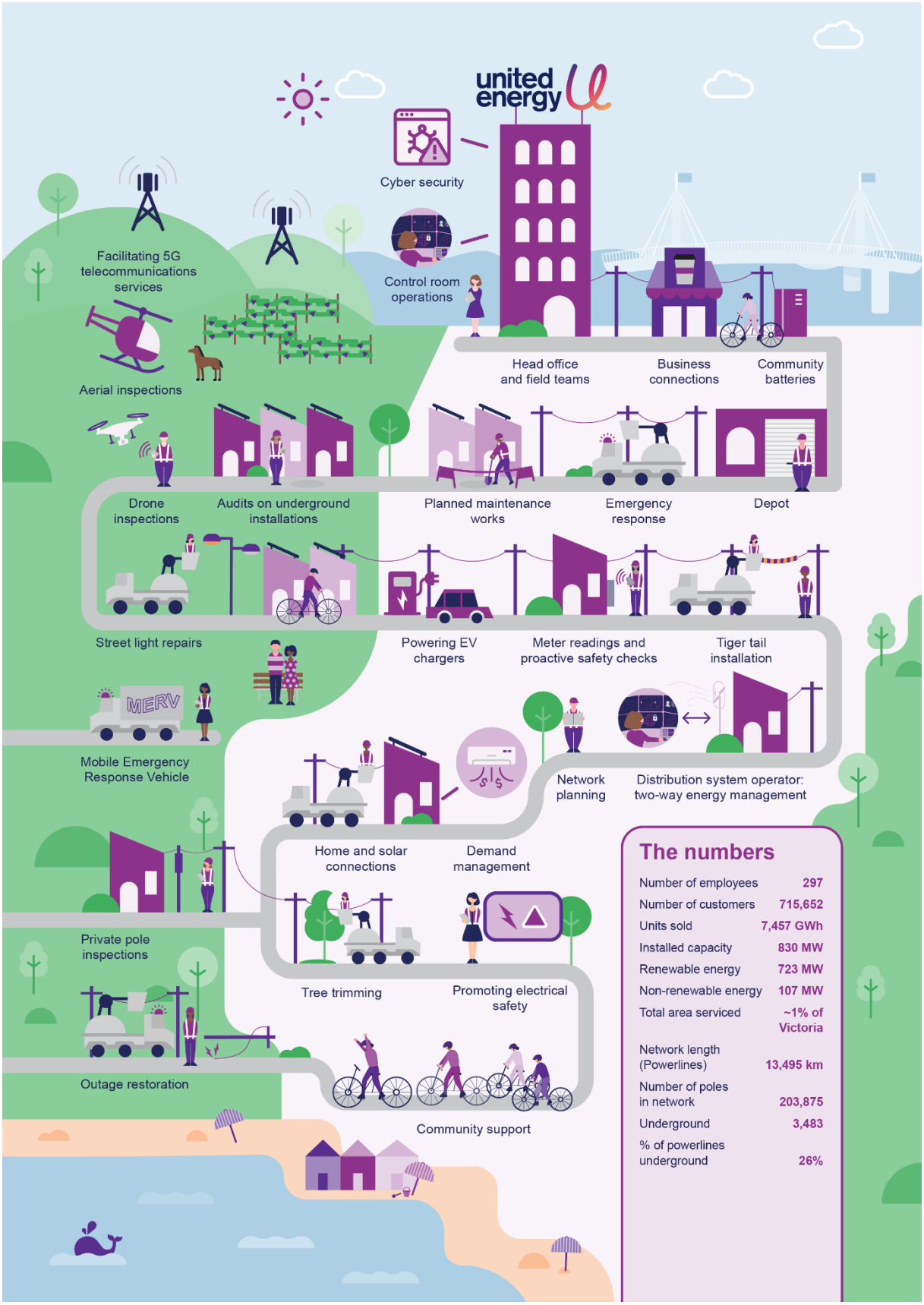
FIGURE 1.1 OUR CUSTOMER BASE



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 also 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, 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.

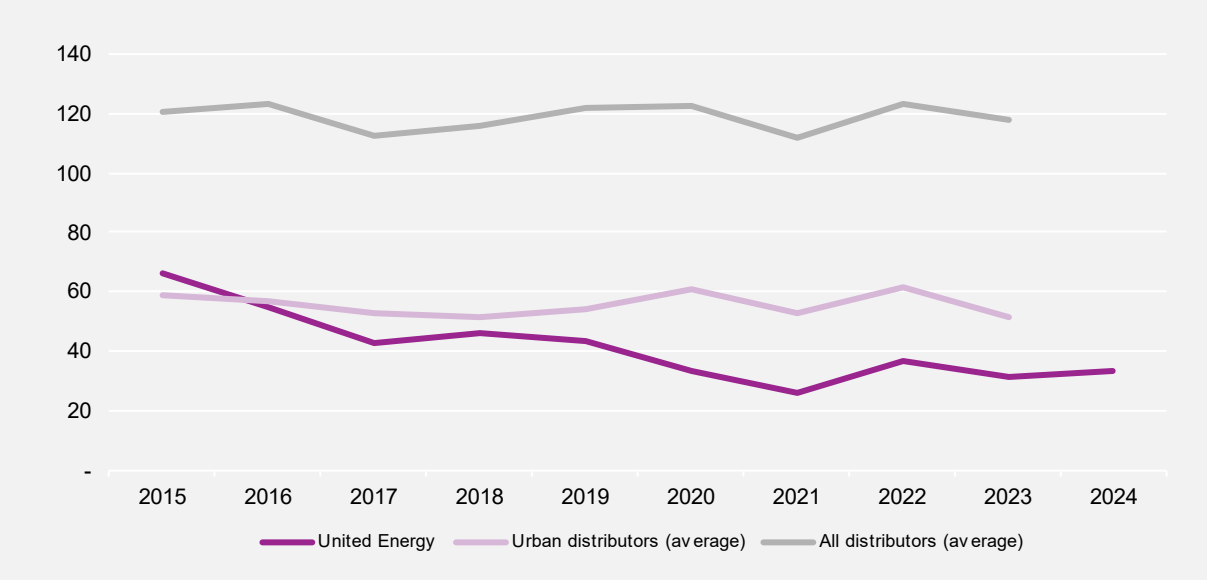
Given the scale and scope of these changes, our energy system in the future will need to function very differently to the energy system we see today.

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), in terms of reliability, price and network utilisation. 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, around 33 minutes off supply. This follows ongoing investment across multiple regulatory periods to better service our customers, resulting in us being the second most reliable distribution network in Australia.

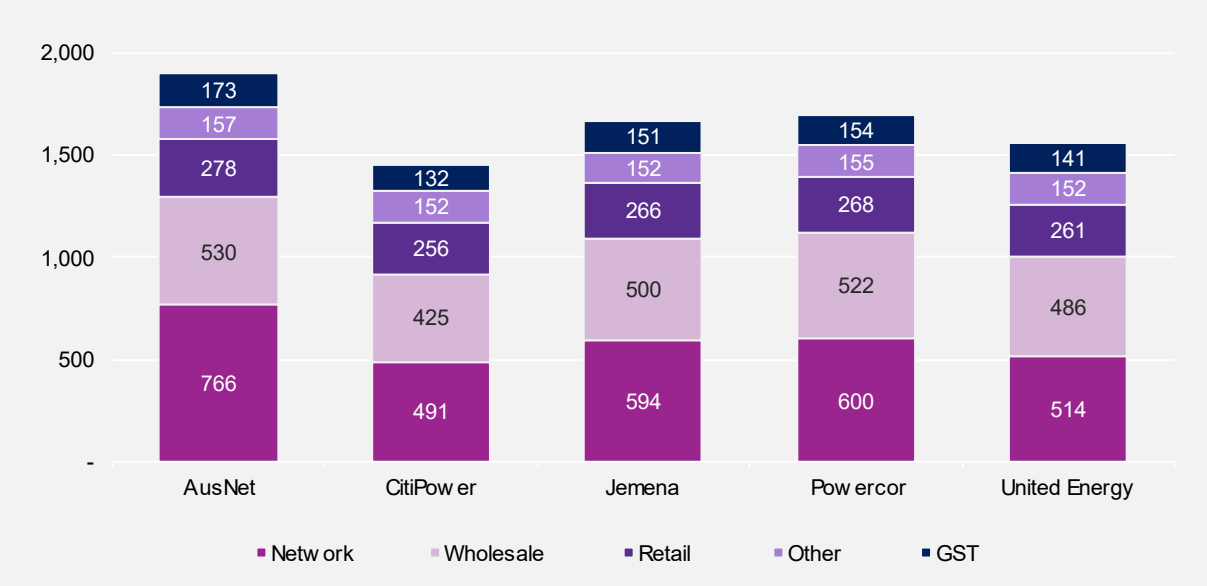
FIGURE 2.1 AVERAGE (UNPLANNED) MINUTES WITHOUT SUPPLY PER CUSTOMER



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

At the same time, our customers face comparatively low network charges, with our average residential distribution charges having reduced in real-terms over the 30-years since privatisation. Analysis of the current Victorian Default Offer also shows we benchmark strongly against our peers, with the second lowest network charges in Victoria (and third lowest in Australia).

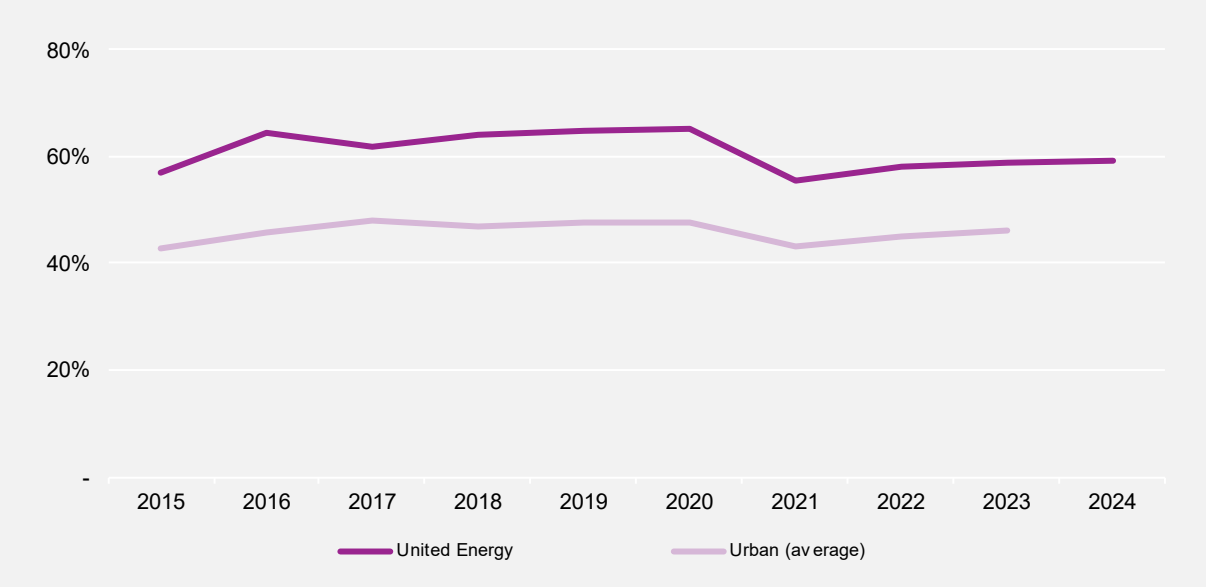
FIGURE 2.2 RESIDENTIAL VICTORIAN DEFAULT OFFER: 2024–25 ($)



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

A key enabler of our low network charges has been the high utilisation of our existing infrastructure. When measured as the ratio of maximum demand at the zone substation to the total zone substation transformer capacity (consistent with the AER's methodology), our network utilisation is greater than any other urban networks and the overall NEM average.

FIGURE 2.3 DISTRIBUTION NETWORK UTILISATION (%)



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

Our high utilisation reflects many factors, including our use of technology to maximise value from our existing infrastructure. This includes pioneering the use of our dynamic voltage management system, the long-standing application of probabilistic planning standards and industry-leading risk-based asset management practices. These mean we only replace or build more infrastructure where the value of potential risks (such as unserved energy and safety risks) are high.

We have also established robust governance practices that continually test and challenge the prudency of investments.

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 26 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 across Victoria, including the south-east and Mornington Peninsula.

By 2031, Victorian Government projections are for an additional 900,000 people living in Victoria. Over 100,000 of these people will live and work in our network area.

To support this growth, the Victorian government has announced ambitious housing targets along the key rail corridors we supply. These works will likely require corresponding electrical infrastructure upgrades.[1]

The scale of renewable generation will also increase rapidly throughout the next regulatory period, with 65 per cent of Victoria's electricity expected to come from renewable sources by 2030 and reaching 95 per cent by 2035. This renewable generation has historically connected to the transmission network, however, we have over 700MW of renewables connected directly today and this is expected to grow alongside further development activity in large scale battery energy storage projects (such as the Springvale BESS project).

Much of this renewable generation is provided by solar PV, with rooftop systems installed by over 19 per cent of our residential customers. The capacity of this rooftop solar has doubled in the last five-years alone, and is forecast to double again by the end of 2031.

While rooftop solar provides many benefits, including savings for customers and a reduction in Victoria's carbon emissions, high solar uptake can also lead to system security challenges such as minimum system load.[2] During December 2023, for example, Victoria set a record low for minimum operational demand.

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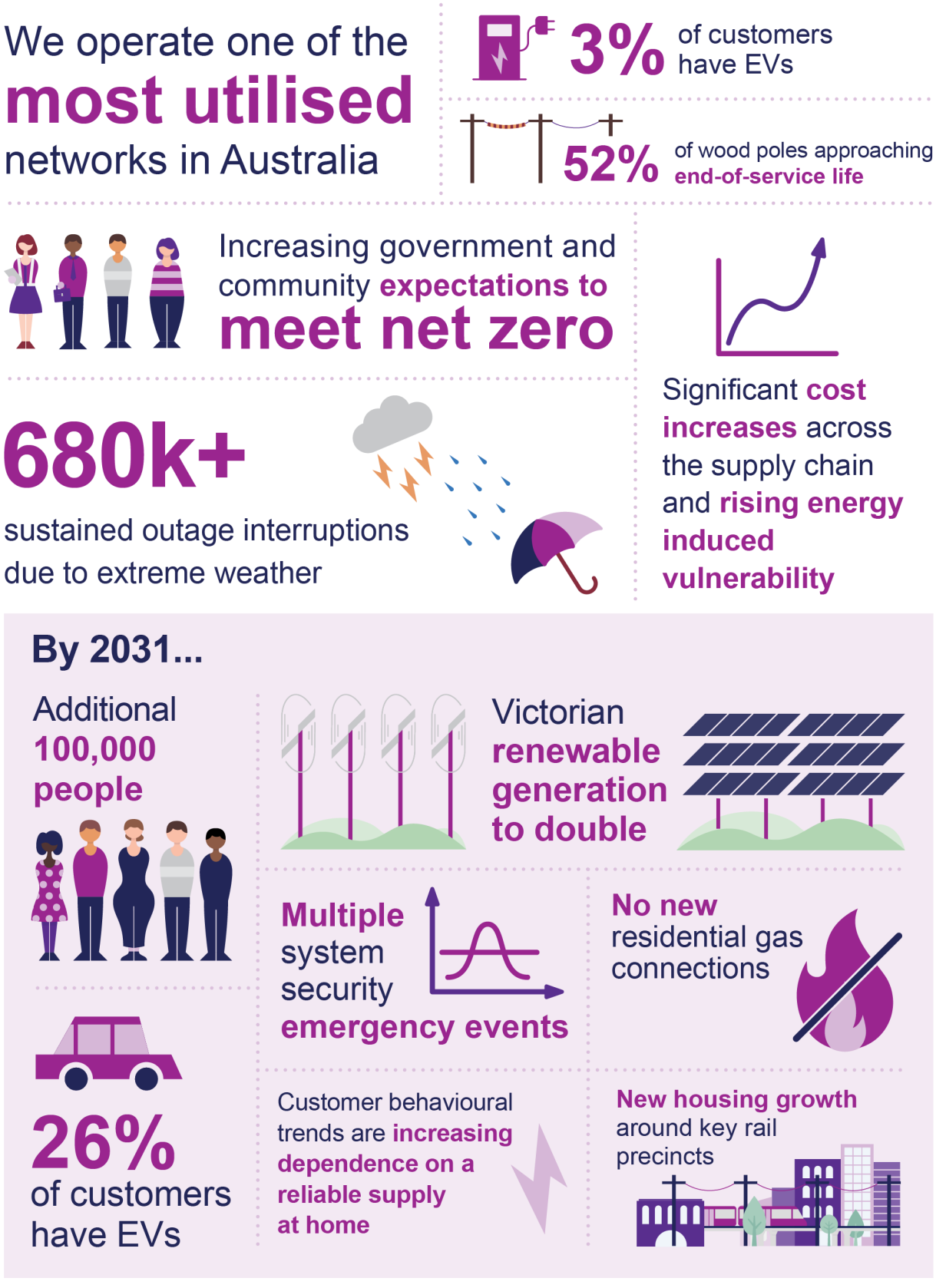
1 Our regulatory proposal does not account for these in the 2026–31 regulatory period, pending further detail on timing and locations.

2 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



Source: AEMO and Victorian Government forecasts, and internal analysis

2.3 We have limited headroom to absorb additional growth

Collectively, the extent of electrification and growth outlined above is expected to increase consumption by 25 per cent by 2031. Peak demand will also grow, with our high utilisation today meaning these changes will quickly challenge our existing network.

We operate the smartest network in Australia, with our fleet of smart meters and dynamic voltage management system. This allows us to maximise the value of our existing infrastructure, but results in many of our assets already operating close to capacity or condition limits, with limited headroom to absorb additional growth or risk without diminishing service level outcomes for customers.

We are also operating an aging asset base, with increasingly large populations of high-volume assets at or approaching the end of their expected service life.

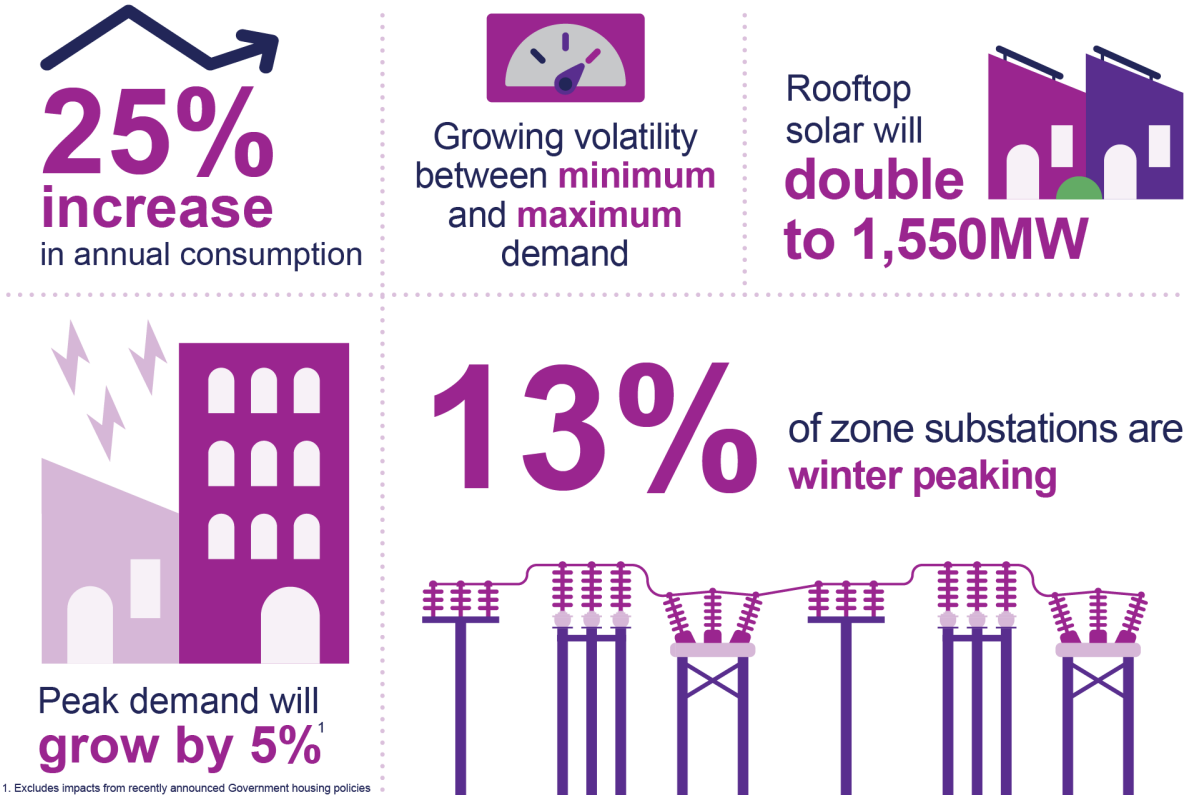
Understanding the potential impacts of this operating environment is critical, as customers need confidence in their energy system to have confidence to fully electrify their homes and lifestyle.

We have continued to leverage technology, therefore, by investing heavily in enhancing our forecasting ability. For example, we now model both thermal and voltage constraints down to our low-voltage 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 resilience, 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



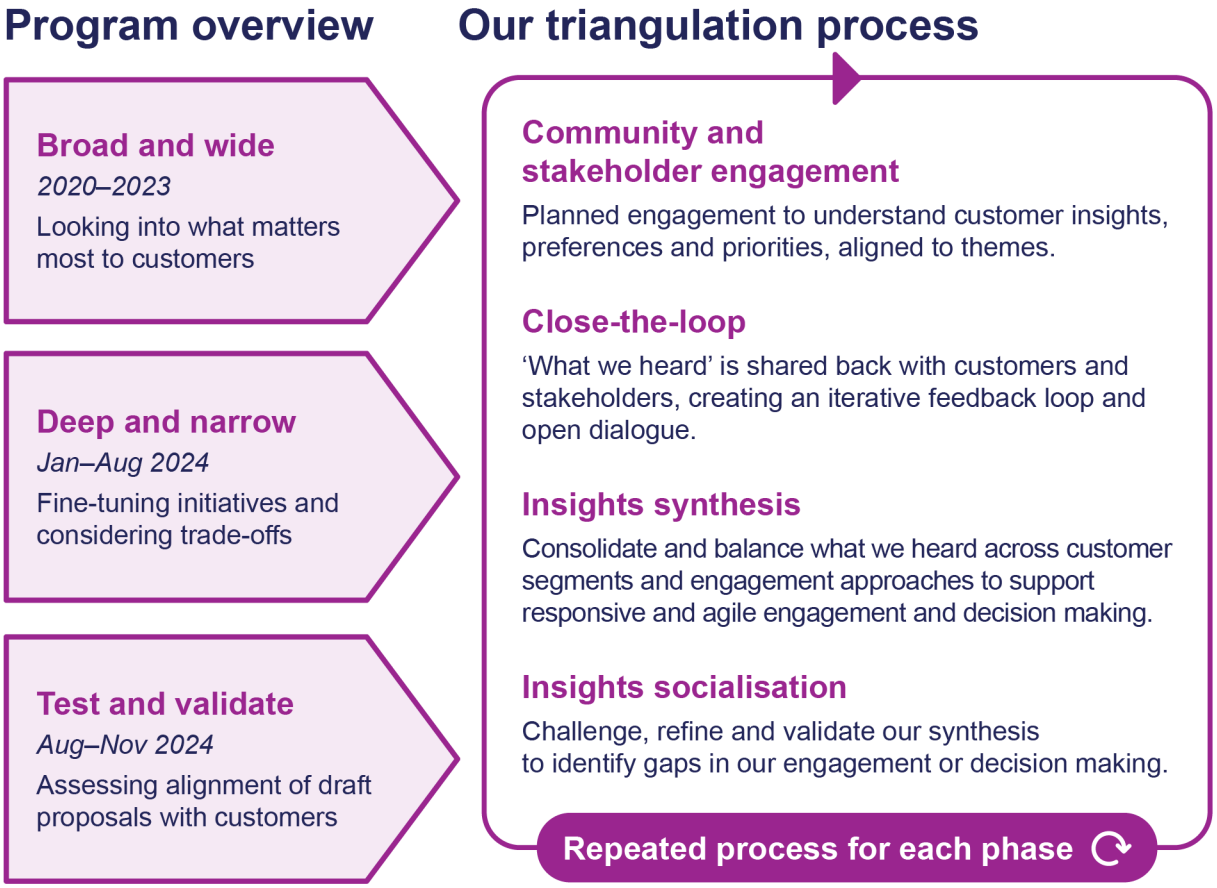
Note: Peak demand is calculated relative to previous highest network peak

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.[3]

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.

[3] UE 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.unitedenergy.com.au.

3.1.2 Customer Advisory Panel

The Customer Advisory Panel (CAP) comprises eleven diverse and unbiased members, including an independent 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 over 8,715 Victorian customers and stakeholders, including more than 146 different organisations.

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.

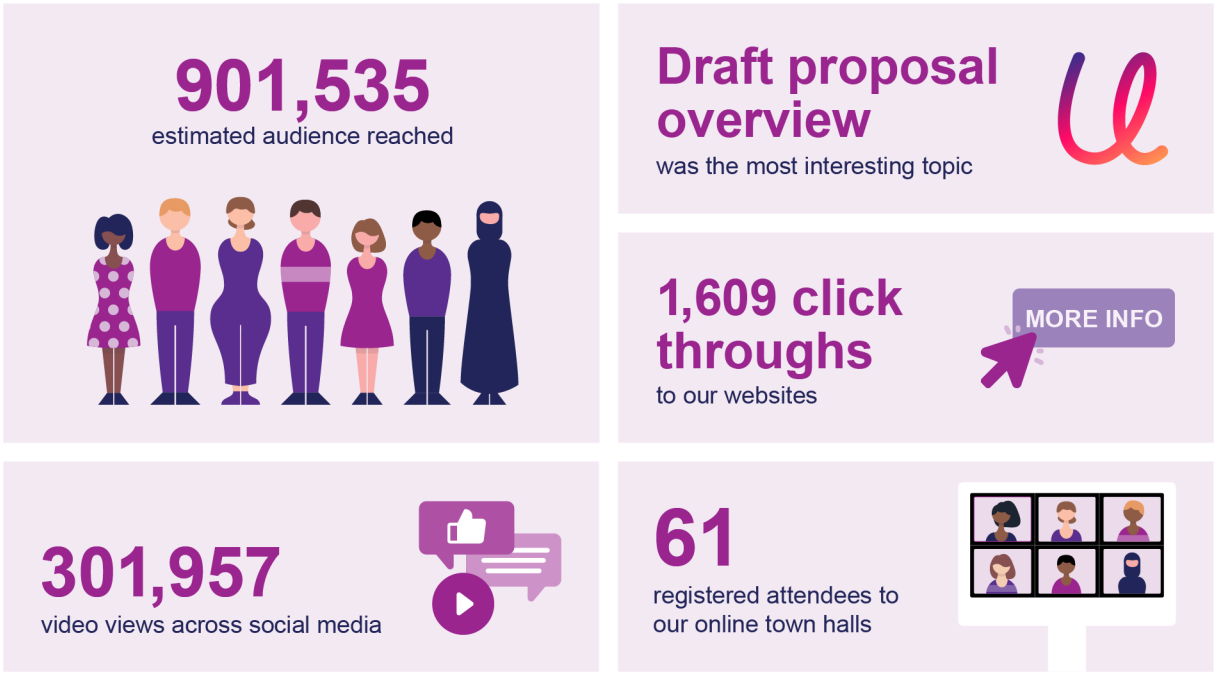
3.2.1 Our draft proposal and testing what we heard from customers

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.[4]

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.

[4] UE 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

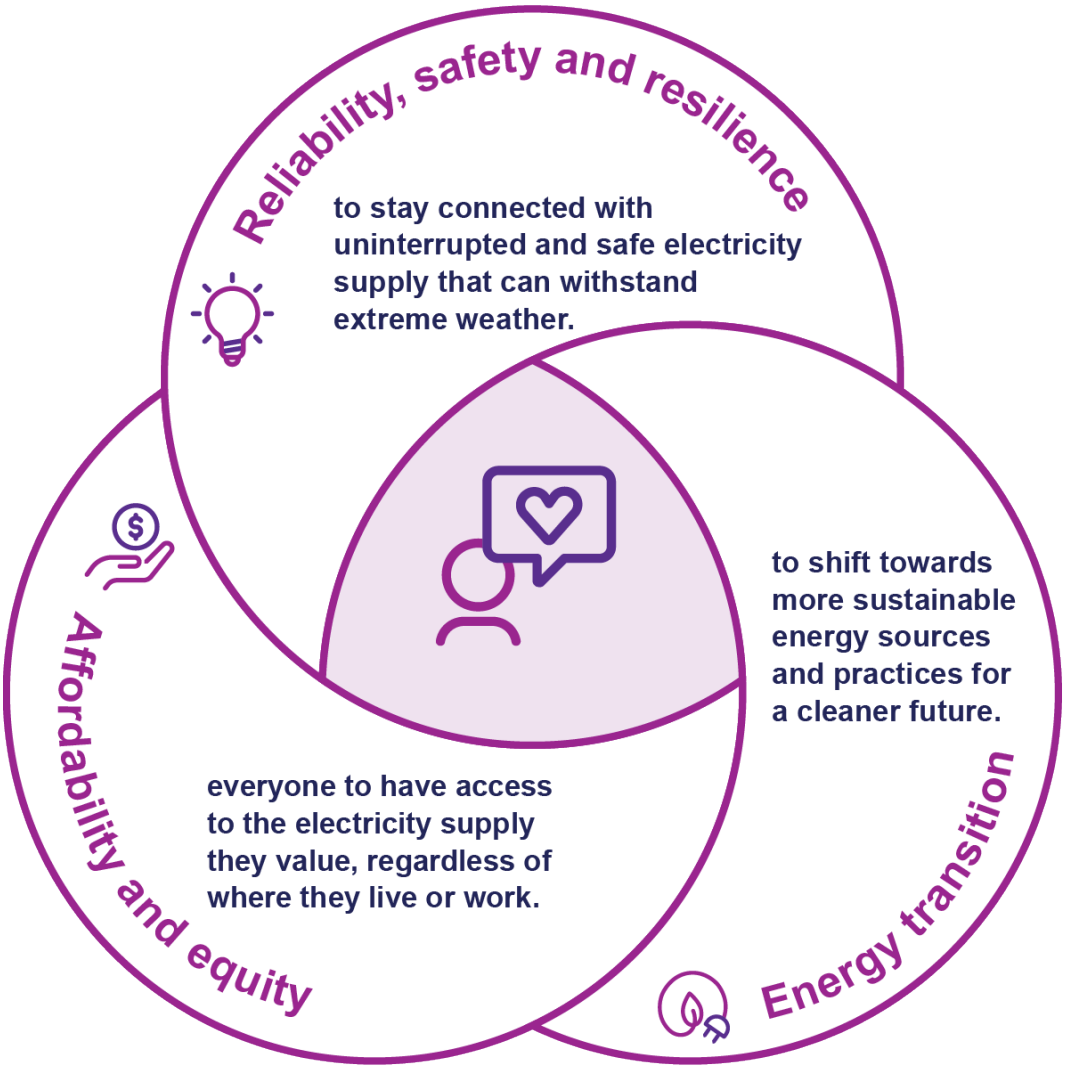


FIGURE 3.4 WHAT WE HEARD: RELIABILITY, SAFETY AND RESILIENCE

Deep and narrow

We heard customers want

Reliability performance

- Improved reliability, as it is crucial for the survival and growth of communities
- Want sufficient energy capacity for commercial and industrial customers to meet their operational needs without restrictions
- More consistent power quality for commercial and industrial customers to support their operations and revenues
- A dependable energy supply for health, safety, and comfort

69%
of customers not willing to trade-off lower reliability for lower network charges

Network hardening to improve resilience

- Proactive and reactive action from United Energy to address network resilience
- A cost effective approach to network resilience

80%
of customers supported moderate or high investment to avoid prolonged outages

Community resilience

- More CER integration, like solar panels and batteries, to enhance reliability and give communities more control over their energy supply
- Efficient, easily accessible, and responsive customer service. Customers especially want this for managing extreme weather events
- The ability to rely on United Energy, in conjunction with other stakeholders, in managing extreme weather events that impact regional community energy supplies

66%
of customers supported community officers to prepare for, and respond to, extreme weather events.

Test and validate

We heard customers support

- Investment in maintaining a reliable, safe and resilient network, with customers in strong support of the Innovation Fund initiative and proactive meter replacements

77%
of residential and
73%
of business

meters to prevent failures

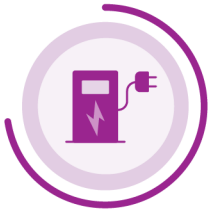
FIGURE 3.5 WHAT WE HEARD: ENERGY TRANSITION

Deep and narrow

We heard customers want

Enabling electrification

- Reliable service to be prioritised during the energy transition
- Fair access to renewable energy to be provided to all customers
- United Energy to reduce its emissions and provide progress updates
- Reassurance the network can handle increased demand due to electrification, citing concern with network stability/capacity and high retrofitting costs for homes
- Efficient network operation, which they see demand management as a tool to support this



73%
of customers support $45–80m investment to proactively address network constraints due to electrification

Integrating CER

- To maximise solar energy export, but with government support
- Greater access to be provided to solar benefits and network investments to promote renewable energy integration
- New network and tariff management strategies to accommodate customers being both producers and consumers of energy
- Improvements to the network's ability to handle increased demand from electric vehicles
- Capacity to enable customers to charge electric vehicles overnight at home

79%
of customers supported bill increases to enable more solar exports for all customers

82%
of customers prefer to charge their EV at home

Test and validate

We heard customers support

- Our CER and electrification strategy, with significant number of customers intending to electrify their homes in the next 5 years
- Customers express barriers to electrification and adoption of time-of-use tariffs in the short term but point to education and price incentives as key motivators for demand adjustments

53%
of residential customers were not willing for their distributor to control their energy usage

72%
of businesses and

44%
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

- Simpler and clearer energy information and resources to assist them manage their energy bills, especially those experiencing vulnerability
- Improvements in grid resilience to be fair, with a focus on supporting vulnerable customers
- Stronger safeguards to assist customers experiencing vulnerability reduce their energy bill

63%

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

Low-cost and fair outcomes

- Network improvements to be affordable
- Any necessary cost increases to be introduced gradually
- New investments to provide clear value
- In some cases, the visual amenity of network assets addressed
- Access to the benefits of renewable energy to be available to all customers
- To ensure that the financial burden of transitioning to renewable energy sources is equitable
- To be included in decision-making processes around resilience and energy transition initiatives

62%

of residential customers want more information to manage their electricity costs

72%

of customers were concerned about affordability and impacts on future generations

Test and validate

We heard customers support

- Network augmentation but note affordability as a key concern in the next regulatory period, leading to customers favouring low-cost solutions over expensive augmentation
- The Customer Assistance Package initiatives, seeking equity for vulnerable customers in the network

"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"

Source: *Customer Advisory Panel report on Draft Proposals for the 2026–31 Reset*

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 in bottom-up inputs with further prioritisation against top-down principles—an example of this approach, for our customer-driven electrification program, 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	• Electrification was a key theme in our broad and wide engagement, and our 'Customer energy futures' service level options paper sought to understand expectations regarding EV charging • The Monash University Future Home Demand report also captured customers' expectations for future energy use and electrification, including preferences relating to automation and control
Options assessment Using quantitative customer feedback and trade-off preferences to prioritise options	• Our options paper outlined six EV scenarios; stakeholders preferred 'charging abundance' with some control and high access to fast charging • At our trade-off forum, 73% of customers supported $45–80m of investment to facilitate EV charging and reduce EV-related outages. 69% of residential and business customers also supported maintaining or improving reliability
Value to customers Using customer values to quantify economic benefits	• Actual customer charging profiles from our smart meters show that without intervention, 26,000 customers will experience adverse impacts due to non-compliant voltage levels by 2031 • We valued constraints using AER values of customer reliability and emissions reduction

TOP-DOWN PRINCIPLES

Our principles	How we applied to our proposal
Affordability No material price increases	• Our draft proposal value ($75m) aligned with trade-off forum feedback and was supported by customers in our test and validate phase • Our regulatory proposal further considered the balance of proactive and reactive investments for three options—deteriorating, maintaining, or improving service levels • Although improving service levels was economic, we have proposed a 'maintain' option to better ensure affordability and align with the range of investment deemed acceptable to our customers • Relative to a deterioration option, with mostly reactive investments, proactive approaches also benefit more customers, resulting in more equitable outcomes • As our regulatory proposal investment of $66m reflects the most recent AEMO electrification forecasts, our proposal is consistent with the level of customer-driven electrification we will likely need to accommodate and deliver
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, and our latest reported regulatory information notices (RIN) data.

To minimise the impact of these changes, we have incorporated 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 taken a cautious approach for large projects with uncertain timing. A key example of this is works associated with recent Victorian Government policy announcements regarding housing precincts along key rail corridors. These are likely to require major electrical infrastructure upgrades, but pending further detail on timing and locations, we have not included these in our regulatory proposal.[5]

[5] If required, we will reflect these works in our revised regulatory proposal, either as expenditure forecasts or through the existing uncertainty mechanisms.

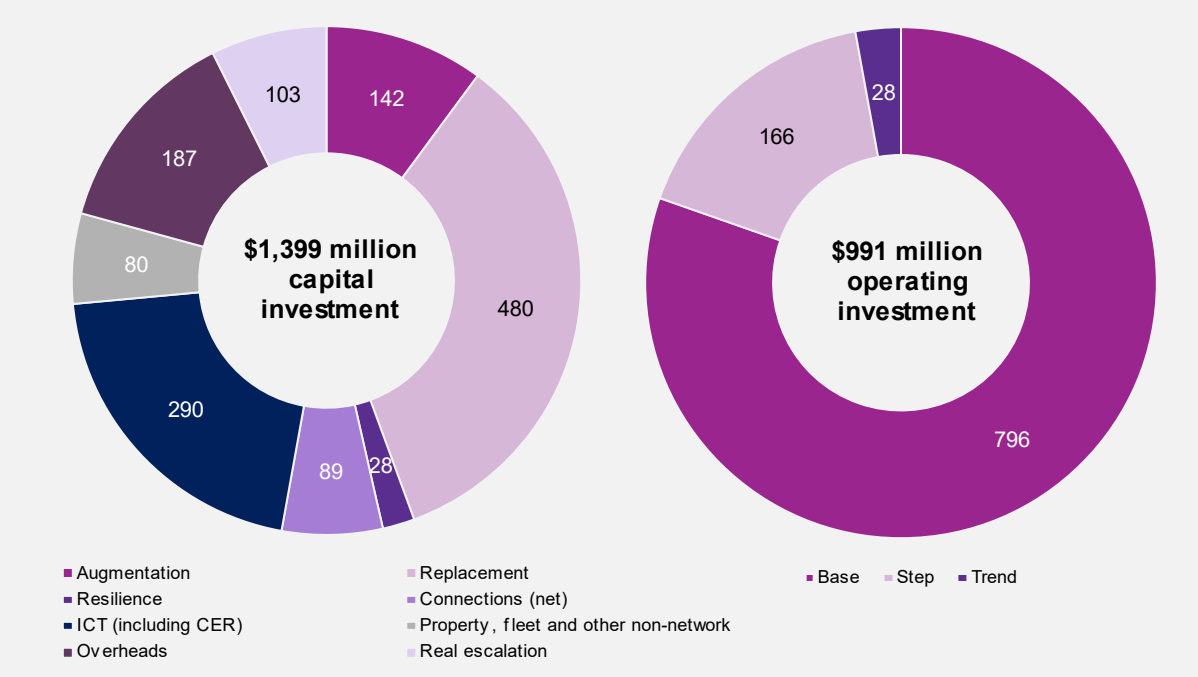
Notwithstanding the above, the 2026–31 regulatory period remains one of considerable change, with cost drivers and growing customer needs that are beyond our capacity to control or manage with historical levels of investment. Collectively, our regulatory proposal represents a small increase in our capital expenditure forecasts relative to our draft, and a 26 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 flexible services).

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 15 per cent increase in revenue relative to our current regulatory period. This increase, however, is largely offset by corresponding growth in consumption meaning our overall bill impacts are modest and consistent with our draft proposal.

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 AND SAFETY: SERVICE LEVEL EXPECTATIONS & 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	• Uplifting wood pole interventions to manage defects and deteriorating asset 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	
Customers expect that we manage our network safely, and in accordance with our compliance obligations	• Using aerial inspections to better manage bushfire and compliance risks from vegetation clearances • Replacing high-voltage wood cross-arms to minimise safety and reliability risks • Extending under frequency load shedding capabilities to the distribution level to minimise customers off-supply in emergency event (i.e. large generator outages)	
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 RESILIENCE: SERVICE LEVEL EXPECTATIONS & OUTCOMES

SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
Customers expect us to work with communities to better prepare for extreme weather events	• Community Support Officers, who know and serve their community • Enhanced climate modelling to better forecast consequence and causality of extreme weather events	
Customers expect us to minimise the likelihood and impact of extreme weather events	• New zone substation at Shoreham to improve resilience on the lower-Mornington Peninsula • Enhanced climate modelling to better forecast consequence and causality of extreme weather events	
Customers expect us to improve how we support them during emergencies	• Additional mobile emergency response vehicles to cater for multiple, concurrent outages • Improved prioritisation tools to manage risk and provide more relevant and timely information	

FIGURE 4.6 ENERGY TRANSITION: SERVICE LEVEL EXPECTATIONS & 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 • Targeted installation of solar panels and batteries at depots • Removing SF6-based assets during existing replacement activities (where efficient) • Publishing our performance on lowering carbon emissions	

FIGURE 4.7 AFFORDABILITY & EQUITY: SERVICE LEVEL EXPECTATIONS & 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 • Limiting residential bill impacts to an annual yearly increase of just $1 over the 2026–31 regulatory period	

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