

AER Public Forum  
Presentation by Tim Rourke  
Chief Executive Officer

22 June 2015



# CitiPower and Powercor Regulatory Proposals 2016–2020



# One business – two very different networks



## CitiPower Network statistics

Network route line length:	3,186km
Network area:	157sq km
Customer numbers:	325,917
Customer density:	102.30c/km
Zone substation transformers:	106
Distribution transformers:	4,670
Poles:	58,276
Underground lines:	42%
Network reliability:	99.99%

(As at 31 December 2014)



## Powercor Network statistics

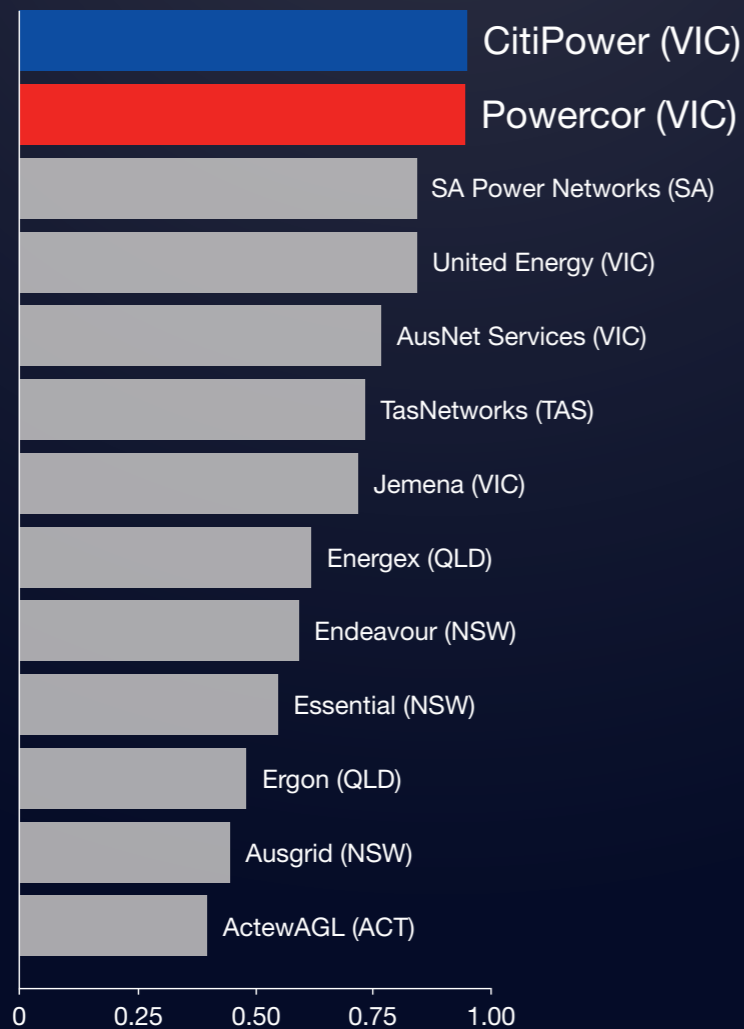
Network route line length:	67,006km
Network area:	145,651sq km
Customer numbers:	765,241
Customer density:	11.42c/km
Zone substation transformers:	141
Distribution transformers:	83,359
Poles:	561,471
Underground lines:	12%
Network reliability:	99.96%

(As at 31 December 2014)

# We manage the most efficient urban and rural networks

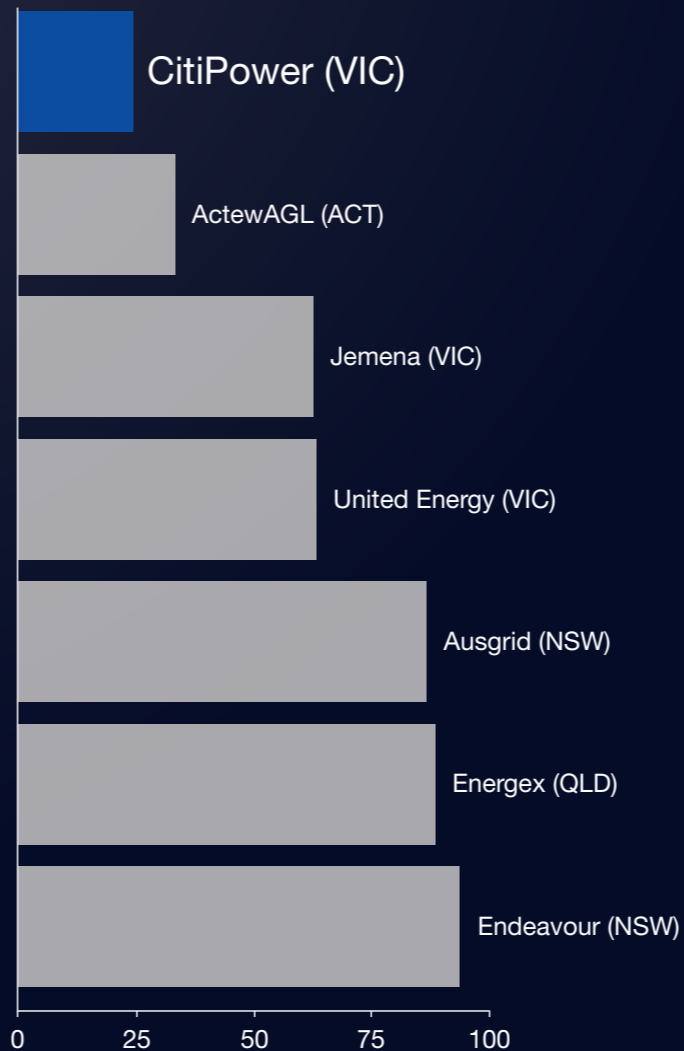


Operating expenditure productivity index (2006–2013)



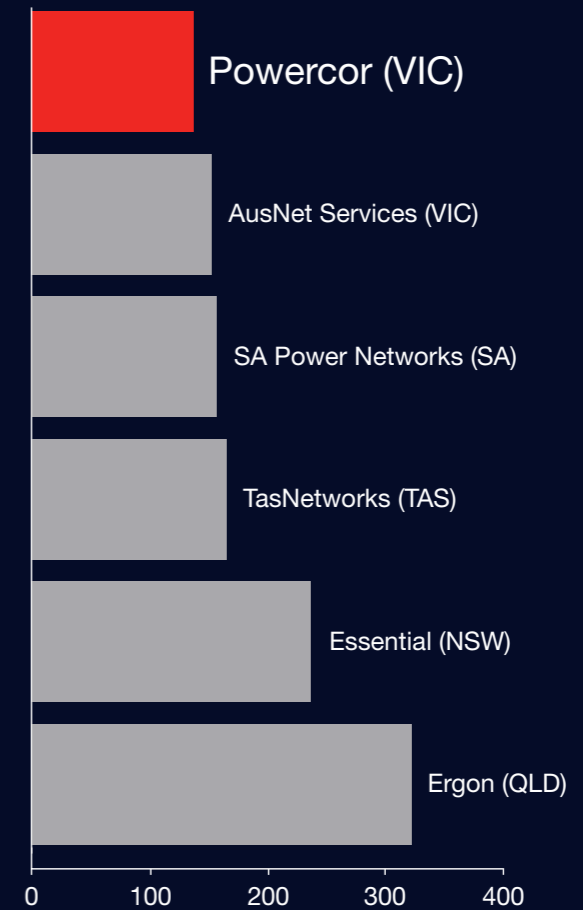
Source: Economic Insights, Economic Benchmarking Assessment of Operating Expenditure for NSW and ACT electricity DNSPs, November 2014

Average number of minutes off supply per customer (2006–2013)



Source: AER Economic Benchmarking RINs

Unplanned number of minutes off supply per customer (average 2006–2013)

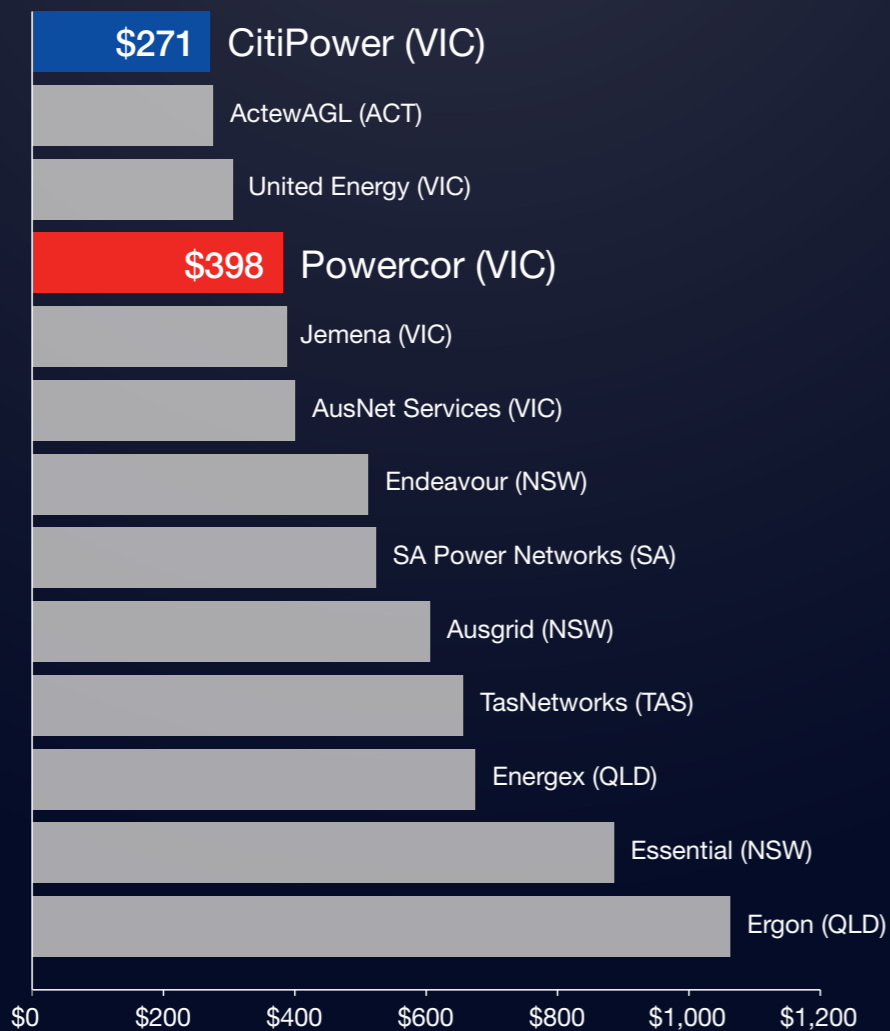


Source: AER, Electricity distribution network service providers, Annual benchmarking report, November 2014, Figure 6

# Our customers pay amongst the lowest distribution network costs in Australia

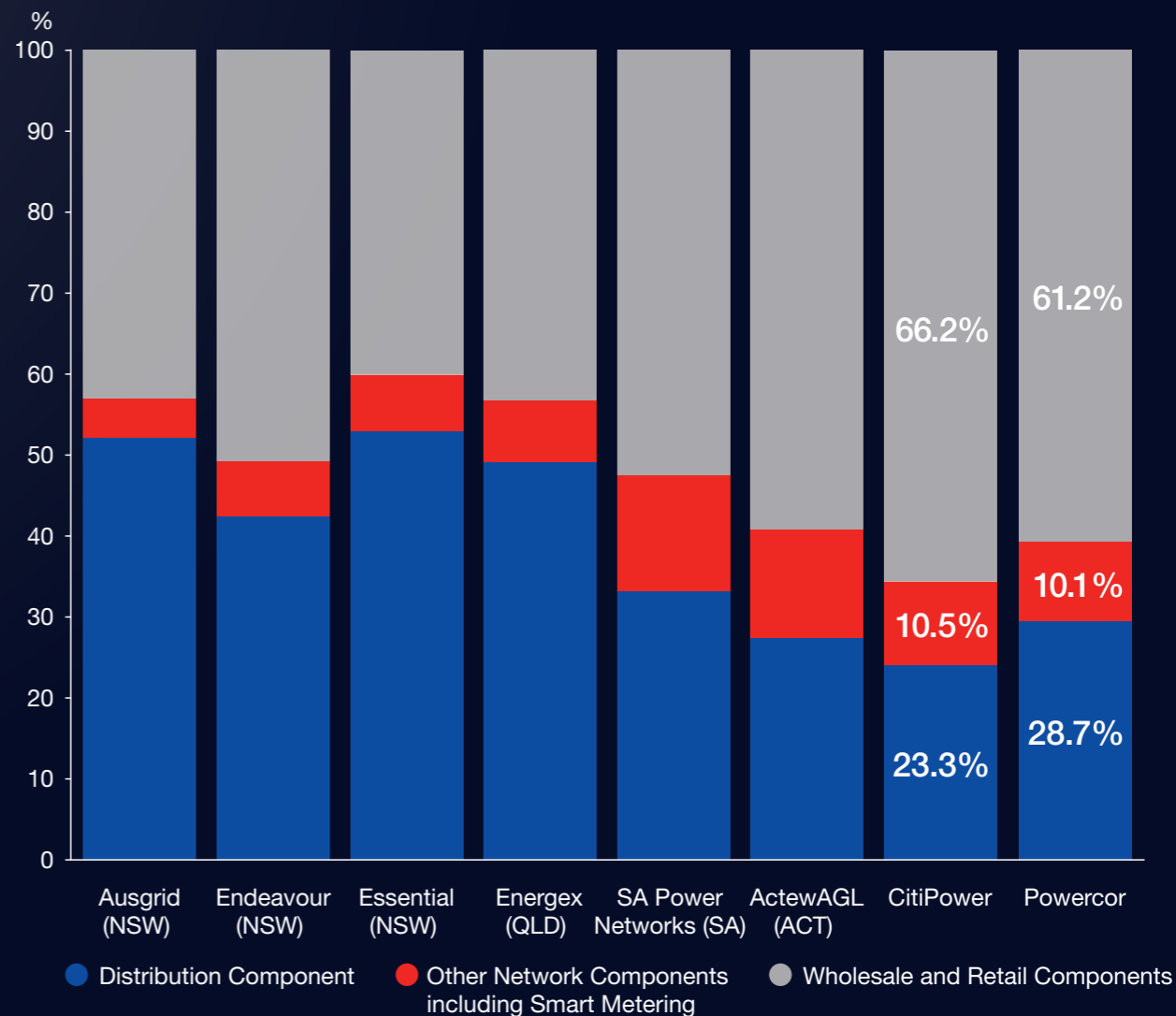


How we compare – Distribution charges across Australia (2015 dollars)



Source: CitiPower and Powercor analysis

How we compare – Bill composition across Australia



Source: Oakley Greenwood, Causes of residential electricity bill changes in Victoria, 1995 to 2014. Based on a single-rate residential customer who uses 4,000kWh (inclusive of GST) – comparisons with DNSPs in other NEM states

# Our proposals strike the right balance between safety, reliability, growth and affordability



## 1. Delivering affordable pricing outcomes

- We have delivered a robust proposal that provides customers with value for money outcomes

## 2. Safe, reliable and efficient management of our assets

- AER Benchmarking demonstrates we are among the most efficient operators
- This has not been achieved at the expense of safety or reliability
- We take a responsible and considered approach to investment and maintenance

## 3. Adapting the network to meet the challenges of the future

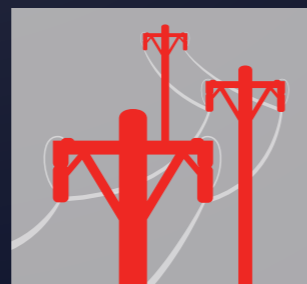
- We will continue to invest in technologies and solutions that build a smarter network and optimise our existing assets for our customers

## 4. We are committed to incentive-based regulation

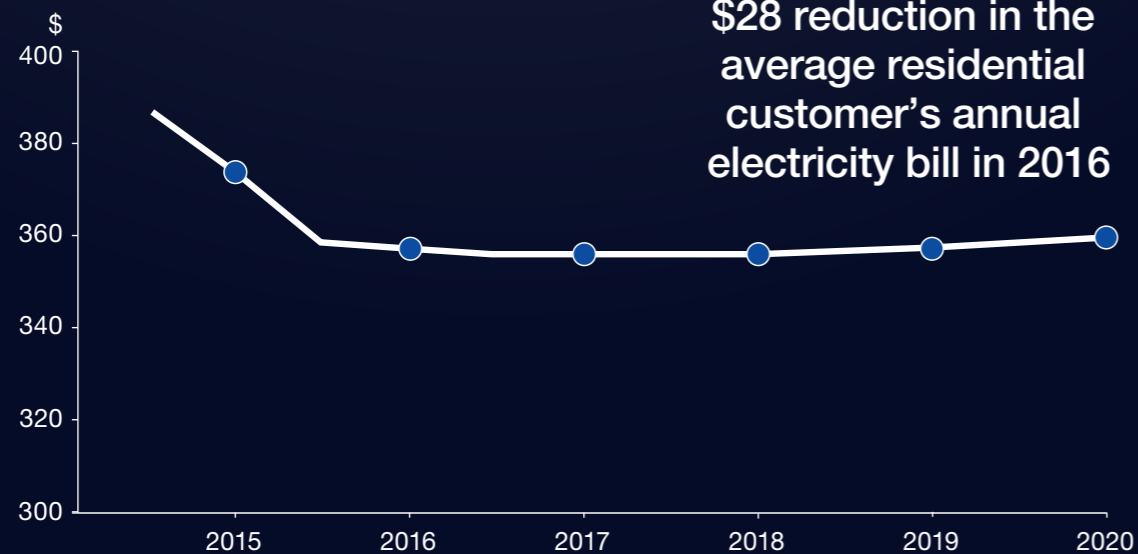
# Proposal Overview (\$, 2015)



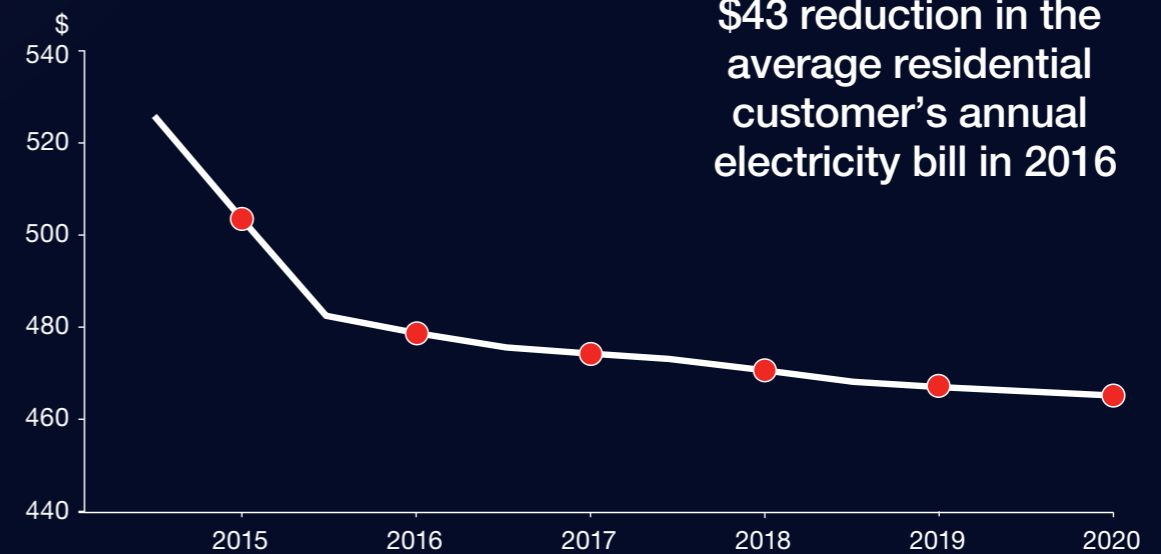
	Net capex	Opex	Rate of return	Revenue
CitiPower	\$850m	\$502m	7.2%	\$1,586m
Powercor	\$2,015m	\$1,334m	7.2%	\$3,380m



CitiPower price movements



Powercor price movements

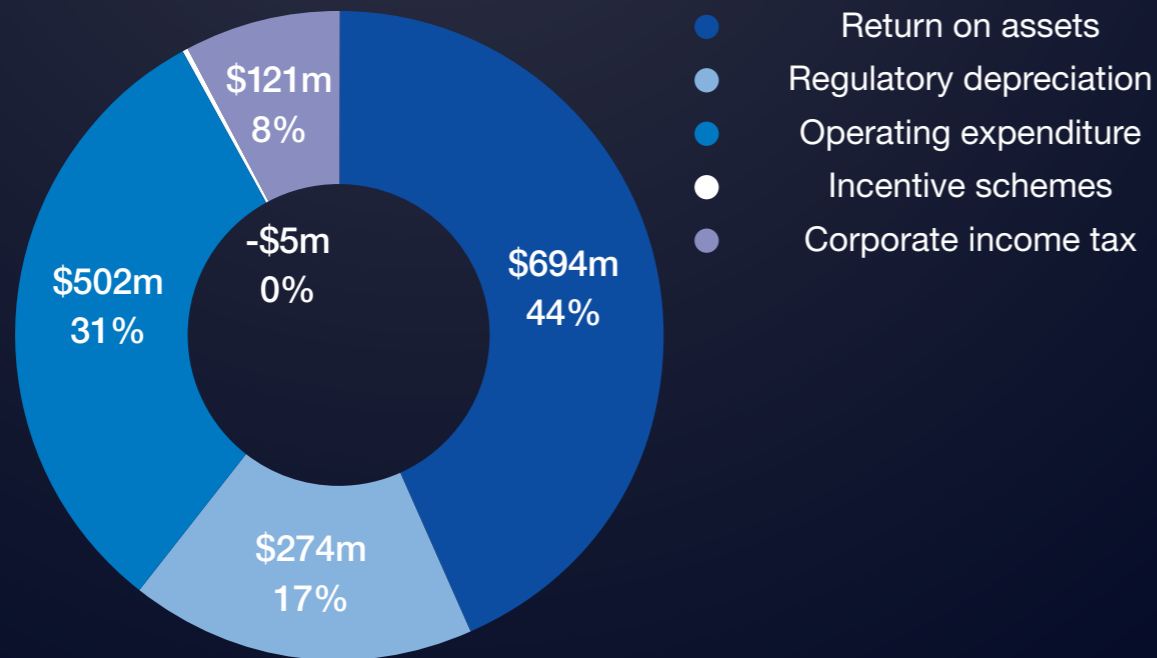


Source: CitiPower and Powercor analysis.  
Price movements include DUoS and metering charges

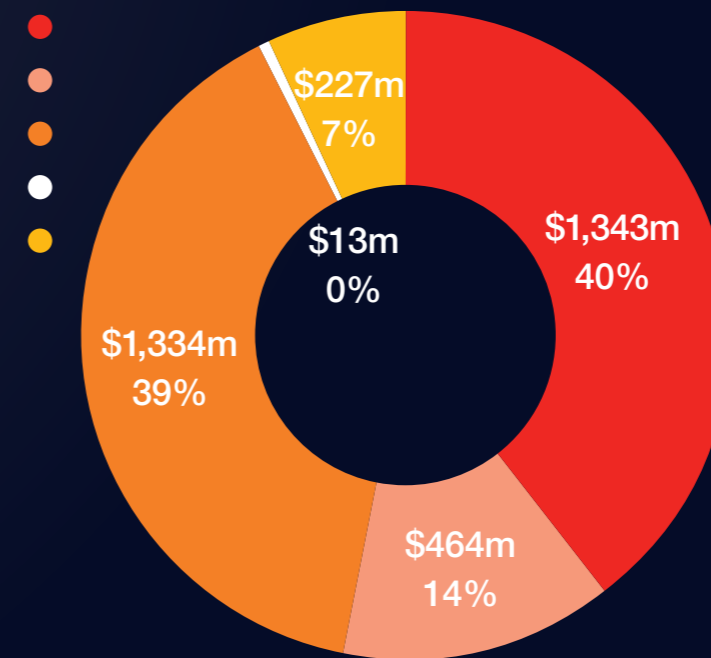
# Revenue requirement – standard control



CitiPower 2016–2020 revenue requirement (\$m, 2015)

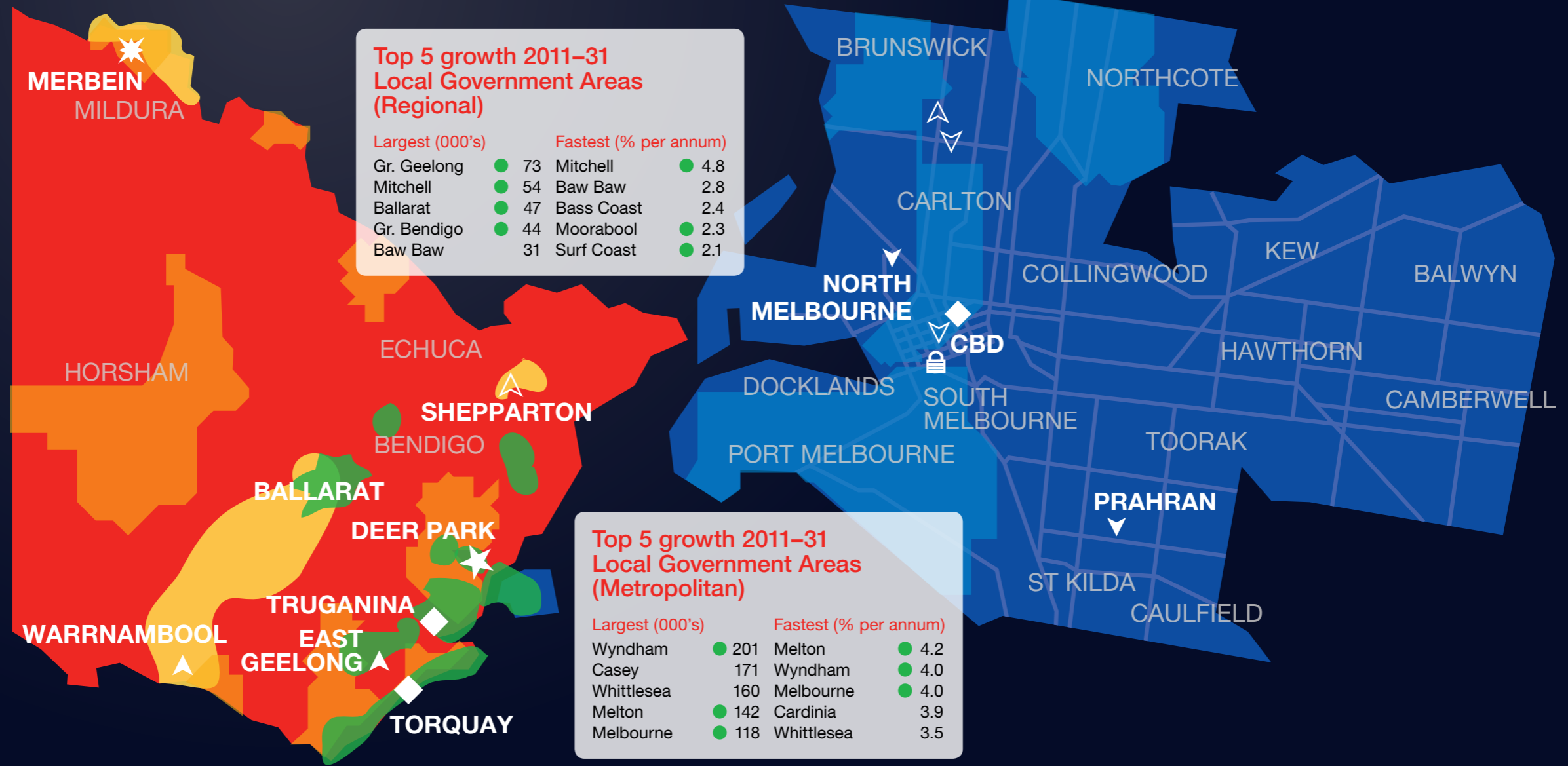


Powercor 2016–2020 revenue requirement (\$m, 2015)



Source: CitiPower and Powercor analysis

# Powering growth



- Peak demand area
- Peak demand area
- Agricultural growth
- Population growth
- ▲ Upgrade zone substation
- ★ New transformer
- ◆ New zone substation
- ★ New terminal station
- ▲ Upgrade parts of network
- 🏠 CBD Security of Supply project
- ▼ Decommission zone substation
- ▽ Decommission parts of network



# Connecting customers



■ Urban renewal and development

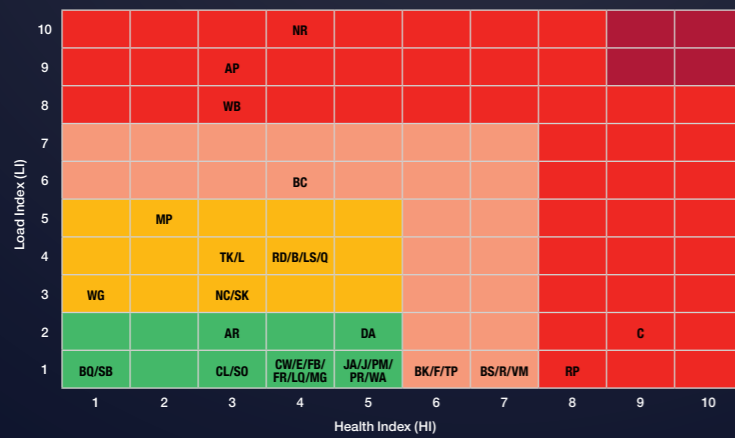
# We take a risk-based approach to asset management



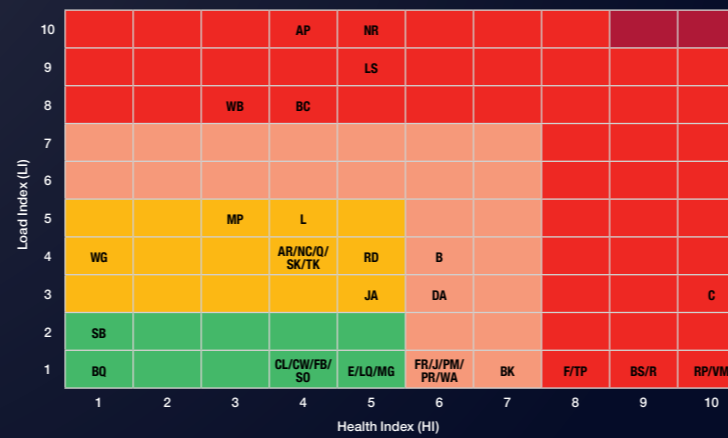
## Zone Substations – Load v Health Index

CitiPower

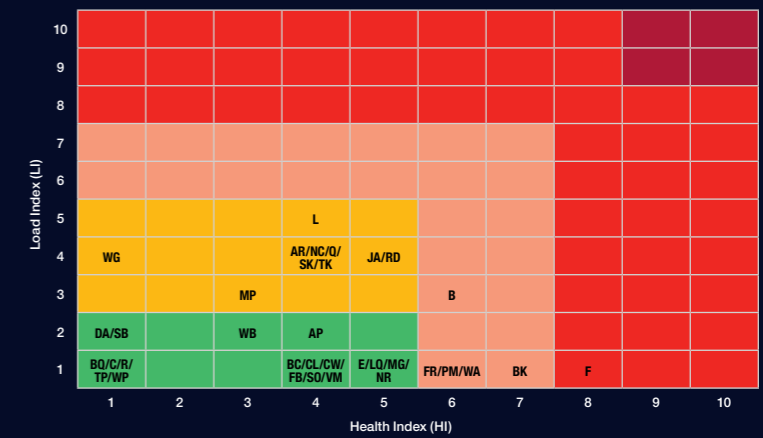
(2016)



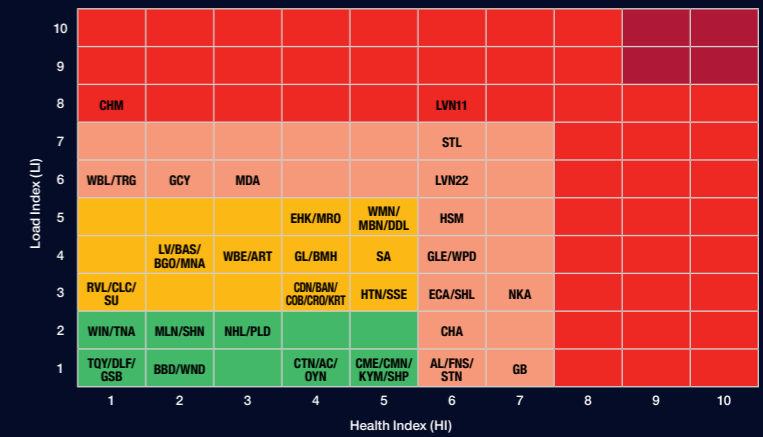
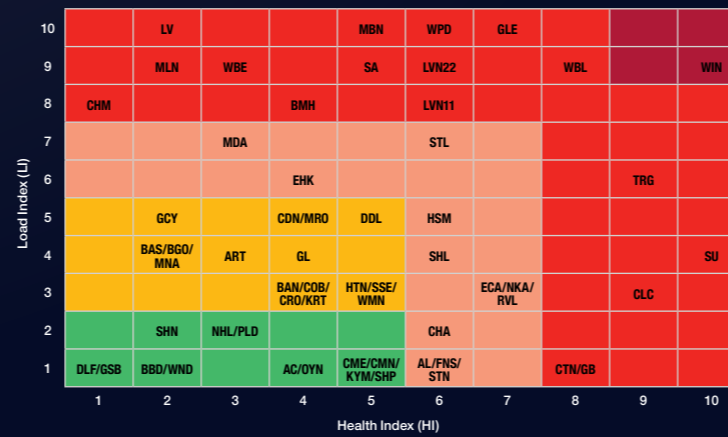
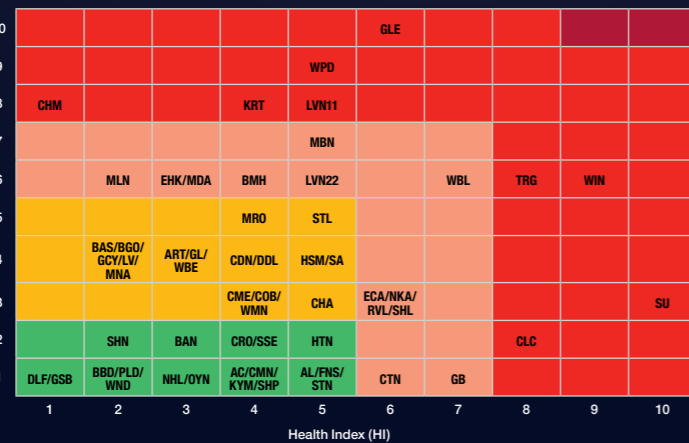
(2021) Without augmentation



(2021) With augmentation



Powercor



Source: CitiPower and Powercor analysis

# Reducing bushfire risk



1. Rural Victoria is one of the most bushfire prone places in the world
2. We will double our investment in the Powercor network to ensure we meet our Victorian Government obligations for bushfire mitigation
3. For the first time, CitiPower has obligations which will see armour rods and vibration dampers installed across the network

## Investments include:

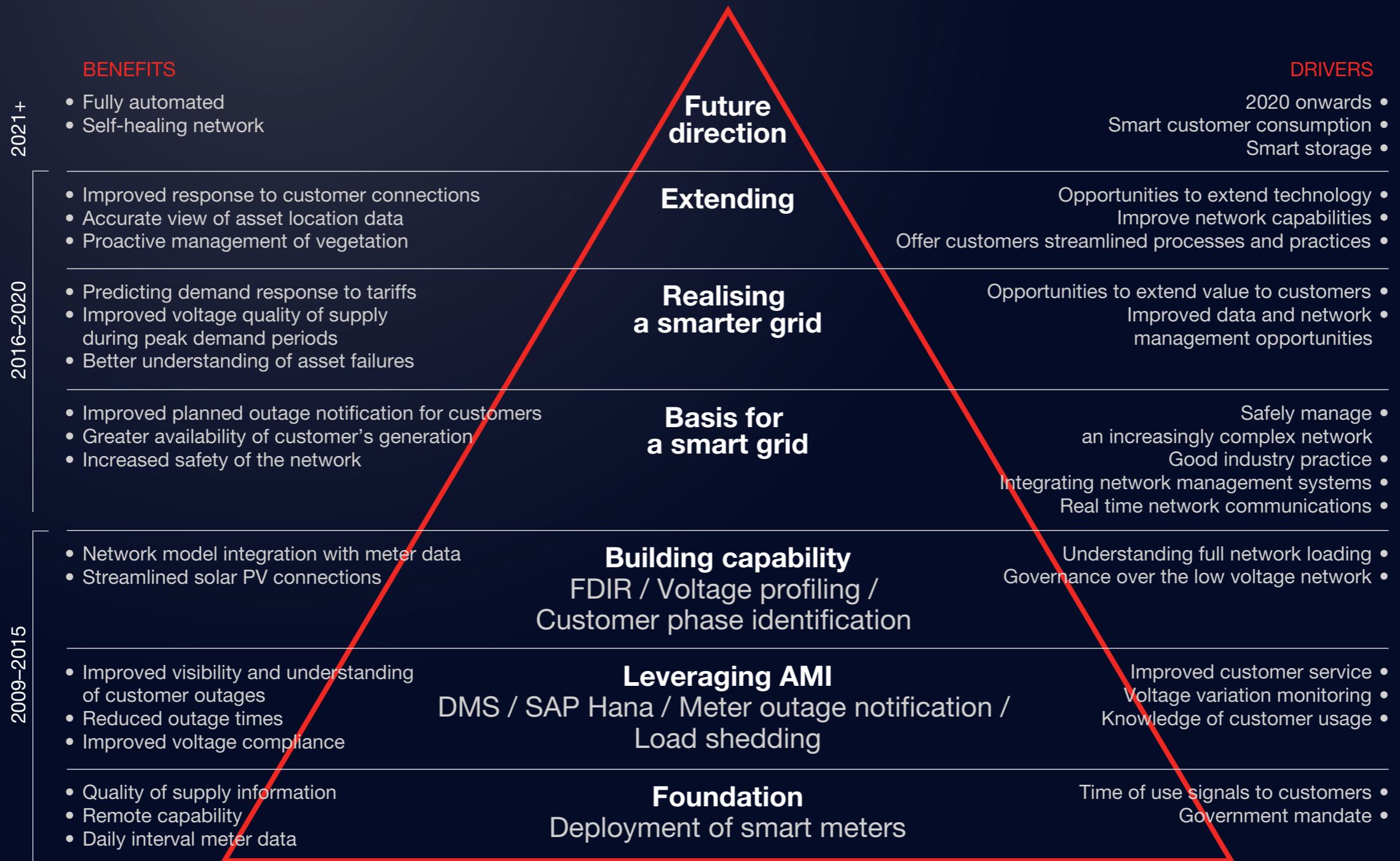
- Armour rods and vibration dampers installed across the networks
- New generation Automatic Circuit Reclosers on SWER lines
- Trial of earth-fault limiting equipment in our Woodend and Gisborne zone substations
- Survey of conductor clearances
- Installation of spreaders or rebuild of lines



# Adapting the network to meet the challenges of the future



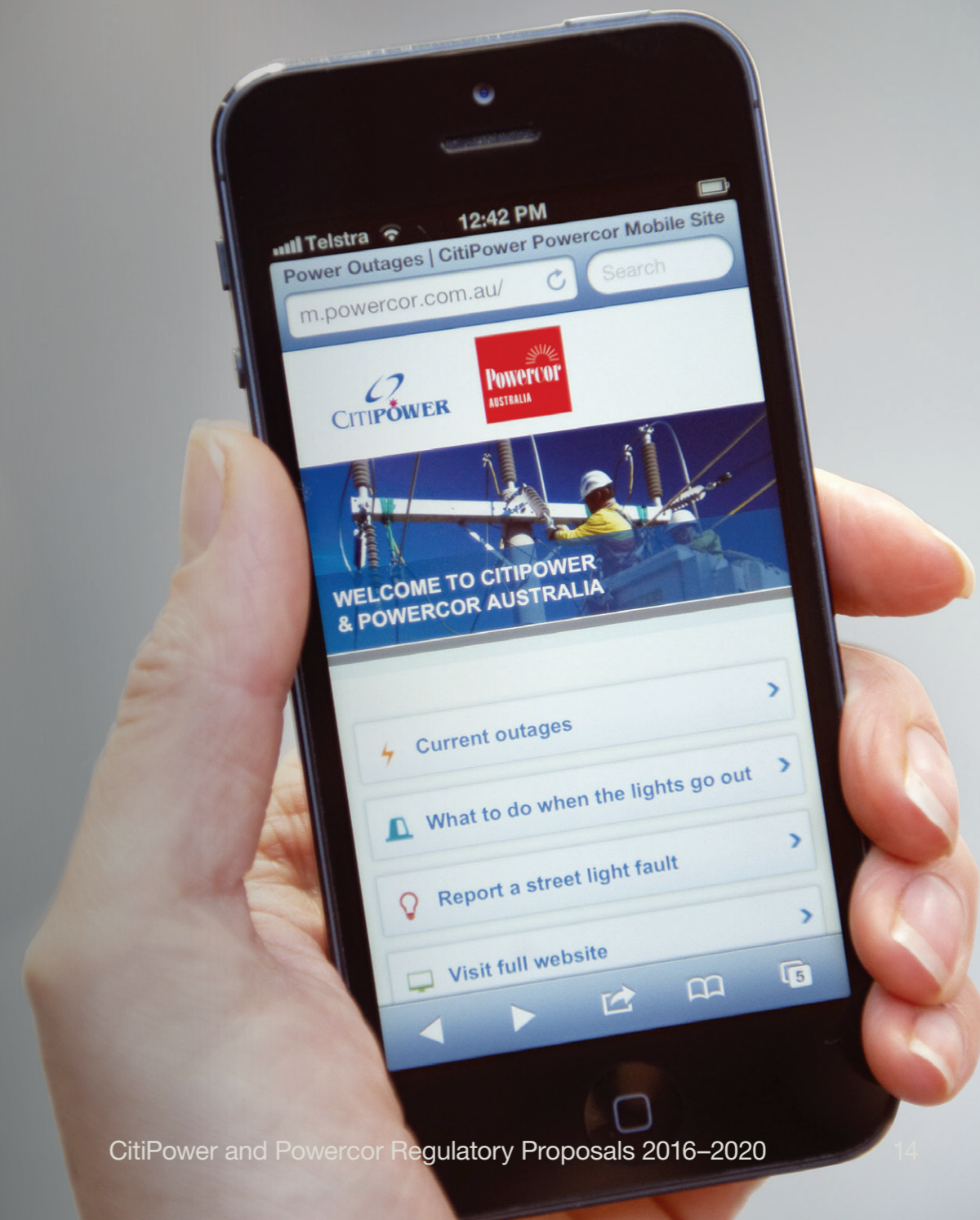
# Adapting the network to meet the challenges of the future



# Making it easy for customers to get the information they need



1. Clear customer service direction:
  - Responsive service
  - Choice in how customers interact with us
  - Low effort, self-service and mobility
  - Improved end-to-end processes
  - New billing system to provide innovative, cost-reflective tariff options
  - Introduce itemised electricity bills
2. Better access to accurate, timely information
3. More educational and advisory information to help customers make the right energy choices



# Summary



## Striking the right balance between safety, reliability, growth and affordability

- Continuing our commitment to deliver affordable pricing outcomes
- Safe, reliable and efficient management of our networks
- Adapting our network to meet the challenges of the future
- Supporting our customers' changing energy choices and making it easy for them to get the information they need



# Thank you