



Regulatory proposal 2026–31

## Part A: overview paper

What we've heard  
and how we're  
responding

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## Acknowledgement of Country

Powercor 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.

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





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## A message from our CEO

### Tim Rourke

Today, **Powercor is both the most reliable and lowest cost rural distribution network in Australia**. With an average of just 106 minutes off supply in 2024 (around 60 minutes lower than other rural networks) and an average distribution residential bill of \$485, we provide the most consistent, dependable and affordable rural network service every day.

Since 2022, **we've heard from 9,440 individual customers and more than 250 stakeholders in developing our investment plans for the 2026–31 period**. Our customers consistently told us that:

- reliability, safety and resilience are paramount, as our customers need confidence in their electricity system to meet their daily needs and to fully electrify their own homes and lifestyles;
- affordability and equity are equally crucial, as our customers expect access to electricity that is dependable but also fair, delivering value for money regardless of their location; and
- they support the transition to cleaner energy sources and practices.

Our existing performance, as the **most highly utilised network in the National Electricity Market**, provides a strong platform to continue delivering the core services our customers rely on and meet their evolving needs. We have consistently delivered more for customers from our existing infrastructure and will continue to do so while the energy transition accelerates.

In September 2024, we published our draft proposal to test how our plans represent our customers' interests. Our customers supported our 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.

By 2031, the electrification of everything from homes to transport, along with ongoing population growth, will require our energy system to evolve. Our network reached its highest peak demand ever in December 2024 and annual energy consumption is projected to grow by 35 per cent as we serve expanding communities in Melbourne's western suburbs and Geelong and support new large load customers, such as data centres.

At the same time, our customers need us to address new challenges, including managing minimum system load and responding to the increasing frequency and severity of extreme weather events.

Our regulatory proposal outlines a balanced approach that aligns with customer expectations for a reliable, safe and resilient electricity supply while also enabling a fair and just transition. We plan to invest \$3.6 billion between 2026 and 2031 to deliver on these goals.

We are also committed to remaining Australia's most affordable rural distribution network. We'll deliver an affordable and equitable electricity supply all for an **average yearly increase of just \$3, resulting in an average residential bill of \$491 over the next five years**. This increase will be offset by a reduction in our metering charges.

Our regulatory proposal sets the pathway for a future where our customers can continue to rely on us to deliver an affordable electricity supply as we transition to a cleaner and more electrified Victoria.

**Tim Rourke**  
Chief Executive Officer

# Delivering for our customers

## Our proposal

Flexible exports to allow

**90%**

of customers to export

**99%**

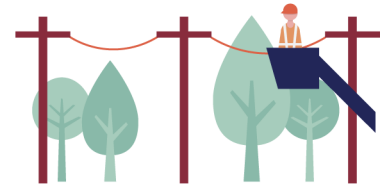
of the time



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



**Significant uplift** in cutting to reduce risks from vegetation clearance

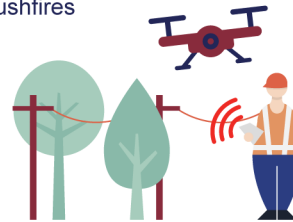


**\$81m**

for more equitable outcomes for regional and rural customers

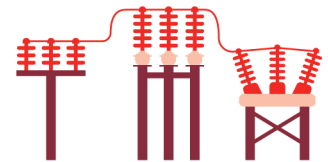


Investing in **smart technology** to protect our communities from bushfires



**\$1.3b**

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

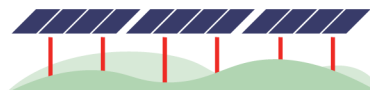


**\$90m**

to manage demand in the high growth corridors of western Melbourne



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



**\$27m**



to support vulnerable customers including targeted First Peoples programs

Connecting **24k** residential and business customers per year to our network



**\$97m**

to support electrification on our LV network

**\$25m**



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



**35%**

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

We are **investing \$3.6b** 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 **a \$1 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.

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.

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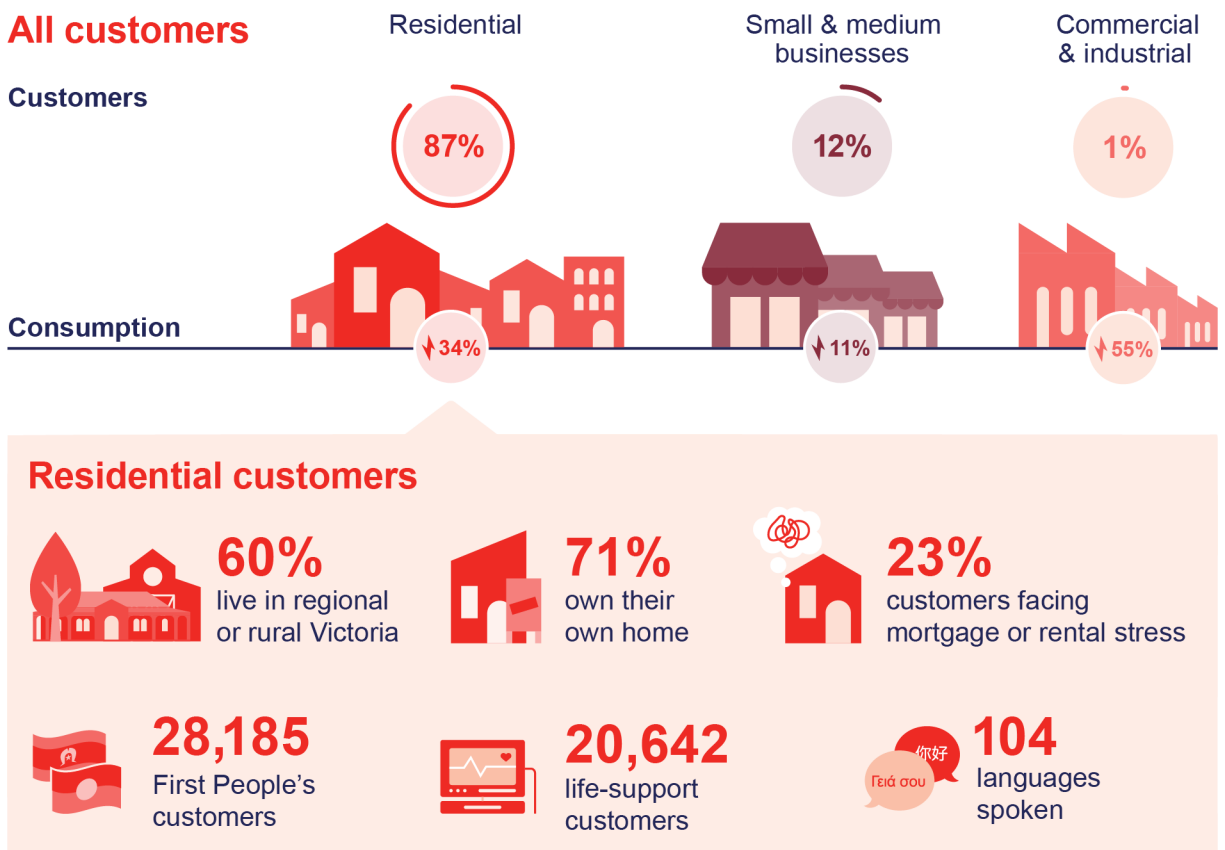
# 1. Who we are and what we do

As an essential service provider, we deliver electricity to a 145,000km<sup>2</sup> area stretching from the western suburbs of Melbourne, through central and western Victoria to the South Australian and New South Wales borders.

Our network supplies over 930,000 customers, making us the largest distributor in Victoria. This includes 540,000 customers who live and work in regional and rural areas, and a cross-section of varying demographics and socioeconomic circumstances.

Although households represent the majority of our customers, commercial and industrial businesses are the largest users of electricity.

**FIGURE 1.1 OUR CUSTOMER BASE**

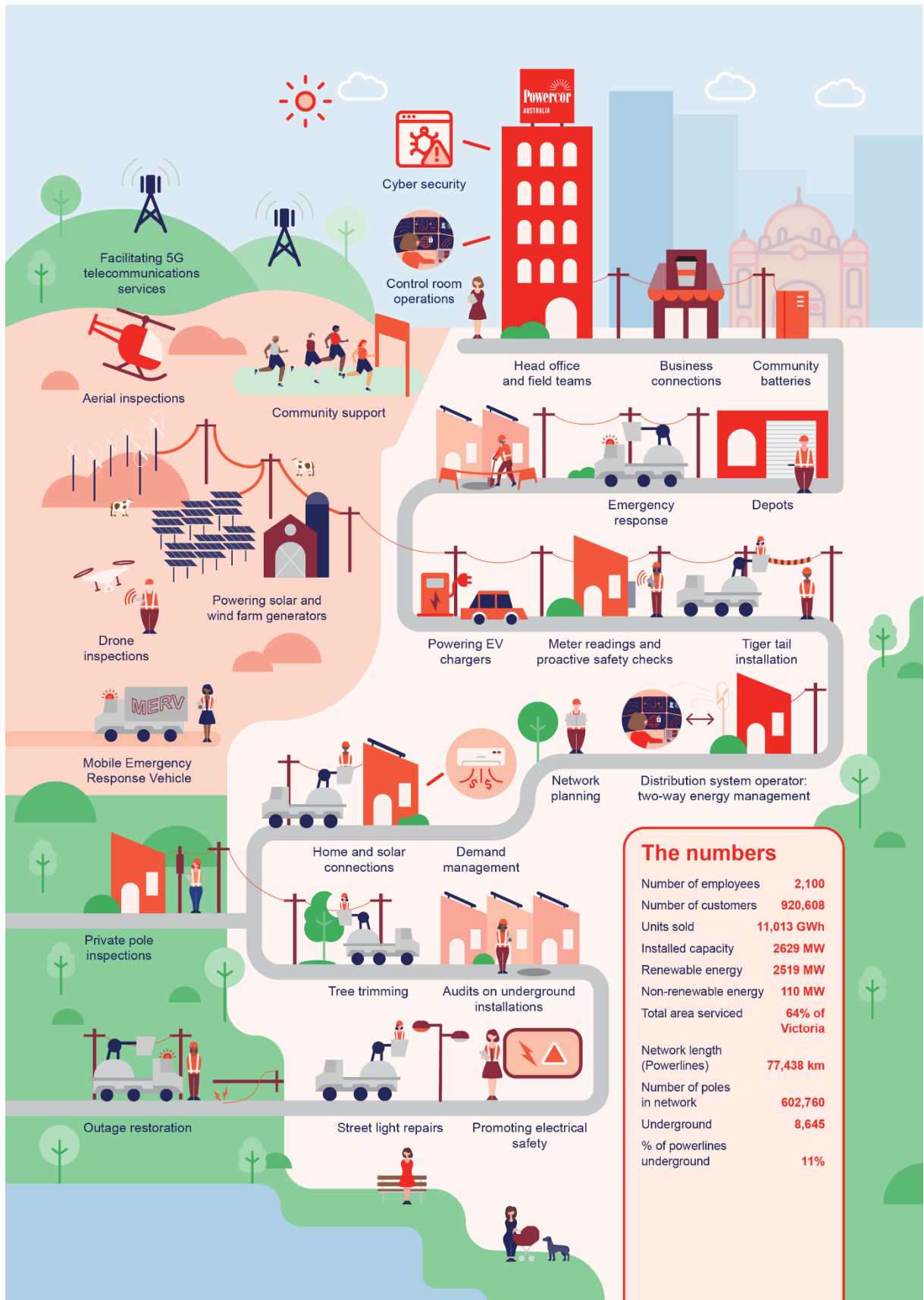


The services we provide are also vast and varied. These include our traditional activities, such as planning, constructing and maintaining our distribution assets, and emergency response.

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**



The numbers	
Number of employees	2,100
Number of customers	920,608
Units sold	11,013 GWh
Installed capacity	2629 MW
Renewable energy	2519 MW
Non-renewable energy	110 MW
Total area serviced	64% of Victoria
Network length (Powerlines)	77,438 km
Number of poles in network	602,760
Underground	8,645
% of powerlines underground	11%

## 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.

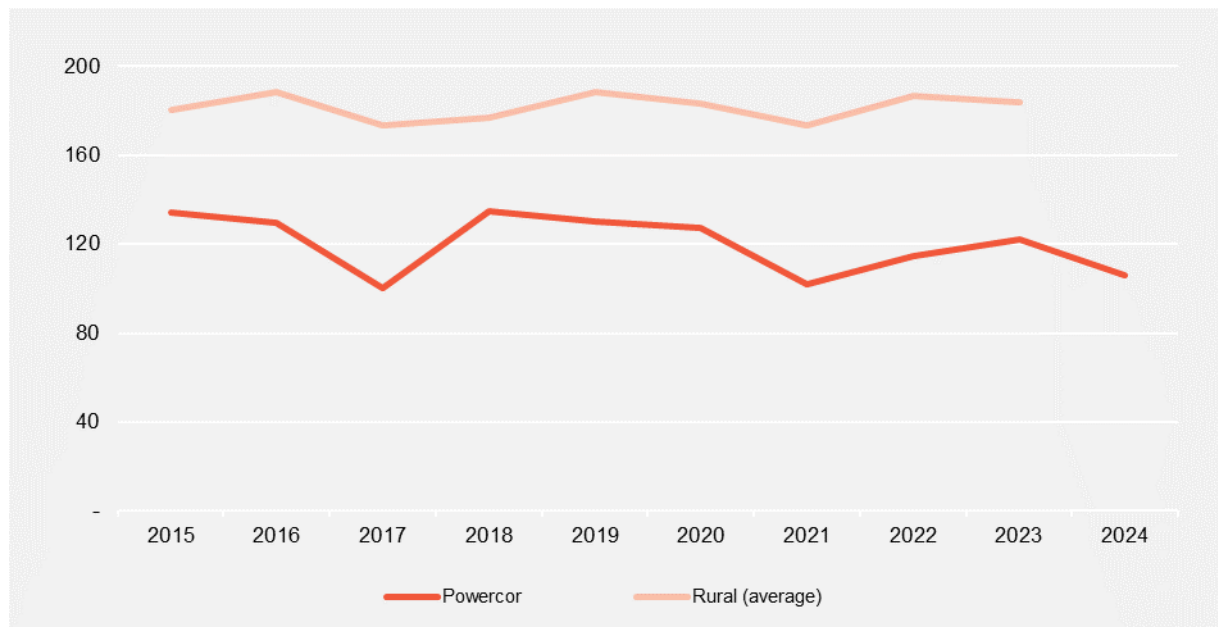
Given the scale and scope of these changes, our energy system in the future will need to function very differently to the energy system we see today.

### 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 106 minutes off supply. The AER's most recently published network performance report (showing data to the year prior) shows this service level reflects a sustained trend of being the most reliable rural distribution network in Australia.

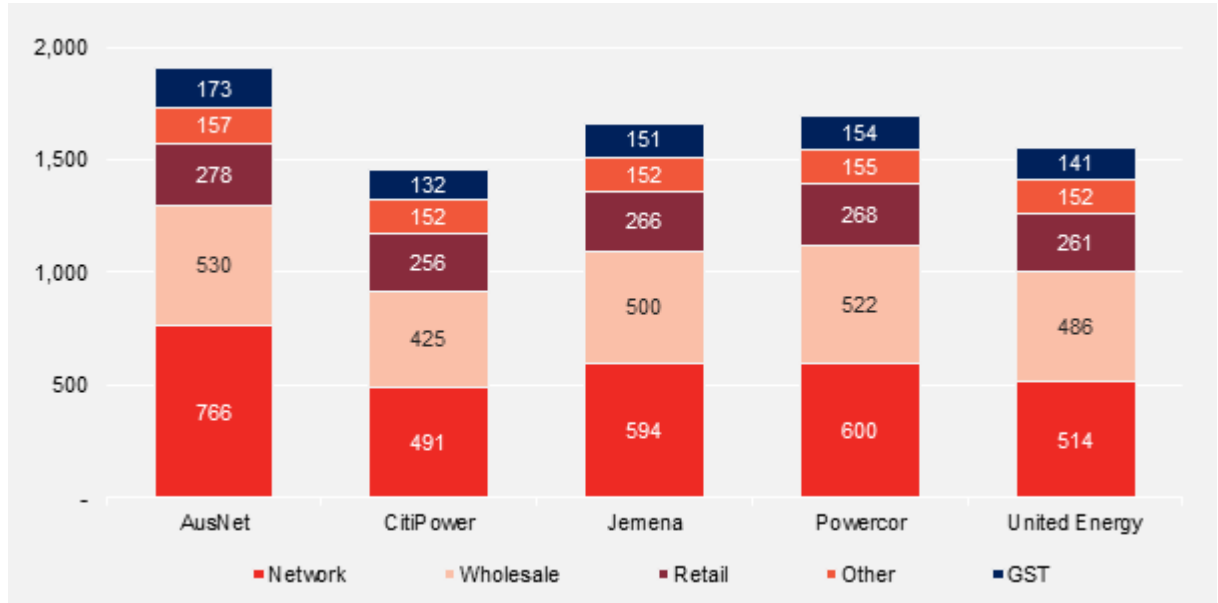
**FIGURE 2.1 AVERAGE (UNPLANNED) MINUTES WITHOUT SUPPLY PER CUSTOMER**



Source: AER, *Electricity network performance report 2024*, September 2024

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 are again the lowest cost rural distributor, with network charges similar to urban networks.

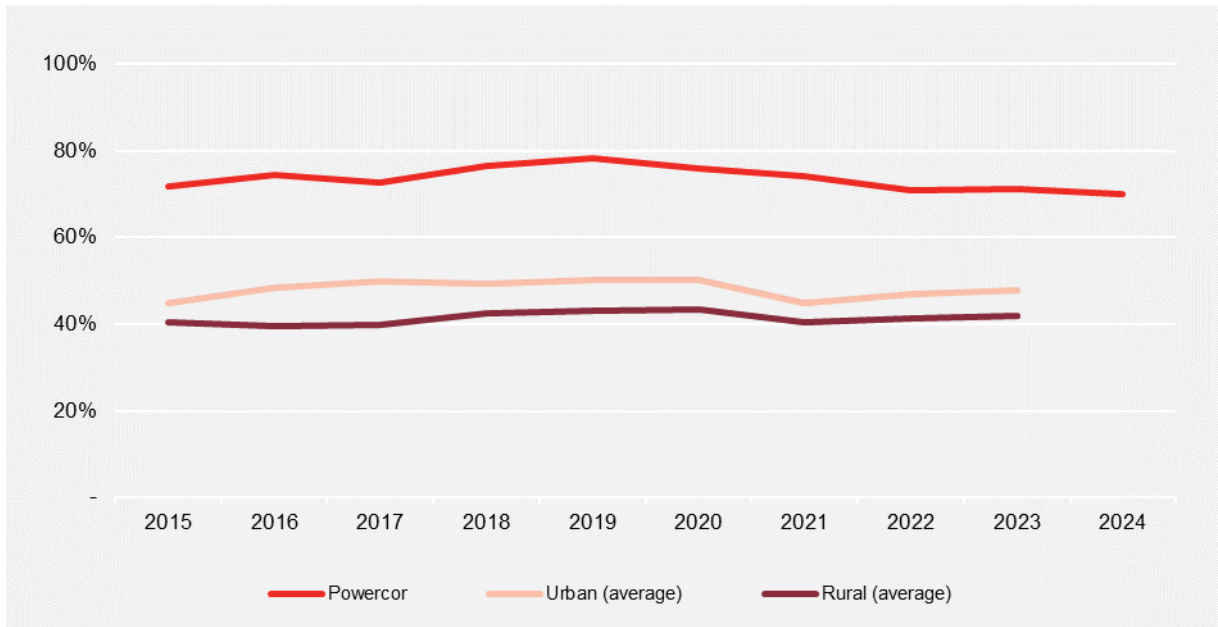
**FIGURE 2.2 RESIDENTIAL VICTORIAN DEFAULT OFFER: 2024–25 (\$)**



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 network, and around 25 percentage points above the NEM average.

**FIGURE 2.3 DISTRIBUTION NETWORK UTILISATION (%)**



Source: AER, *Electricity network performance report 2024*, September 2024

Our high utilisation reflects many factors, including the long-standing application of probabilistic planning standards and risk-based asset management practices, that mean we only replace or build more infrastructure where the value of potential risks (such as unserved energy and safety risks) is high. We have also established robust governance practices that continually test and challenge the prudence 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 23 per cent of our customers will drive electric vehicles (EVs), compared to less than 2 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 and large connections. This includes additional capacity to accommodate a further 356MW of demand from five new data centres across our network.

In 2023, Melbourne overtook Sydney as Australia's largest city. This continued a trend of strong population growth across Victoria, with much of this growth within our network boundaries, such as the high growth corridors in the west of Melbourne, greater Geelong and the Surf Coast.

By 2031, Victorian Government projections are for an additional 900,000 people living in Victoria. Over 280,000 of these people will live and work in our network area.

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 equates to more than two and a half times the renewable capacity that exists now, where over 2.4GW of renewables are already connected directly to our distribution network.

Much of this renewable generation is provided by solar PV, with rooftop systems installed by over 26 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.<sup>1</sup> During December 2023, for example, Victoria set a record low for minimum operational demand.

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<sup>1</sup> 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

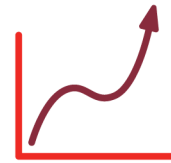
We operate the **most utilised** network in Australia

 **<2%** of customers have EVs

 **20,000km** of overhead conductor approaching **end-of-service life**



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



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

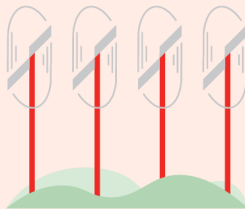
**920k+**

sustained outage interruptions due to extreme weather

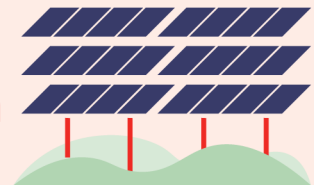


**By 2031...**

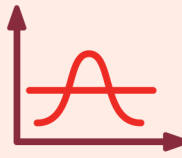
Additional **280,000** people



Victorian **renewable generation to double**



**Multiple system security emergency events**



**No new residential gas connections**



**23%** of customers have EVs

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



**Additional load growth** from new data centre connections



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 35 per cent by 2031. Peak demand will also increase by 29 per cent, and transform many areas of our network to winter peaking—as recently as December 2024, our network almost surpassed its previous highest peak demand (set in 2014).

Our high utilisation today means this growth will quickly challenge our existing network; many of our assets are 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.

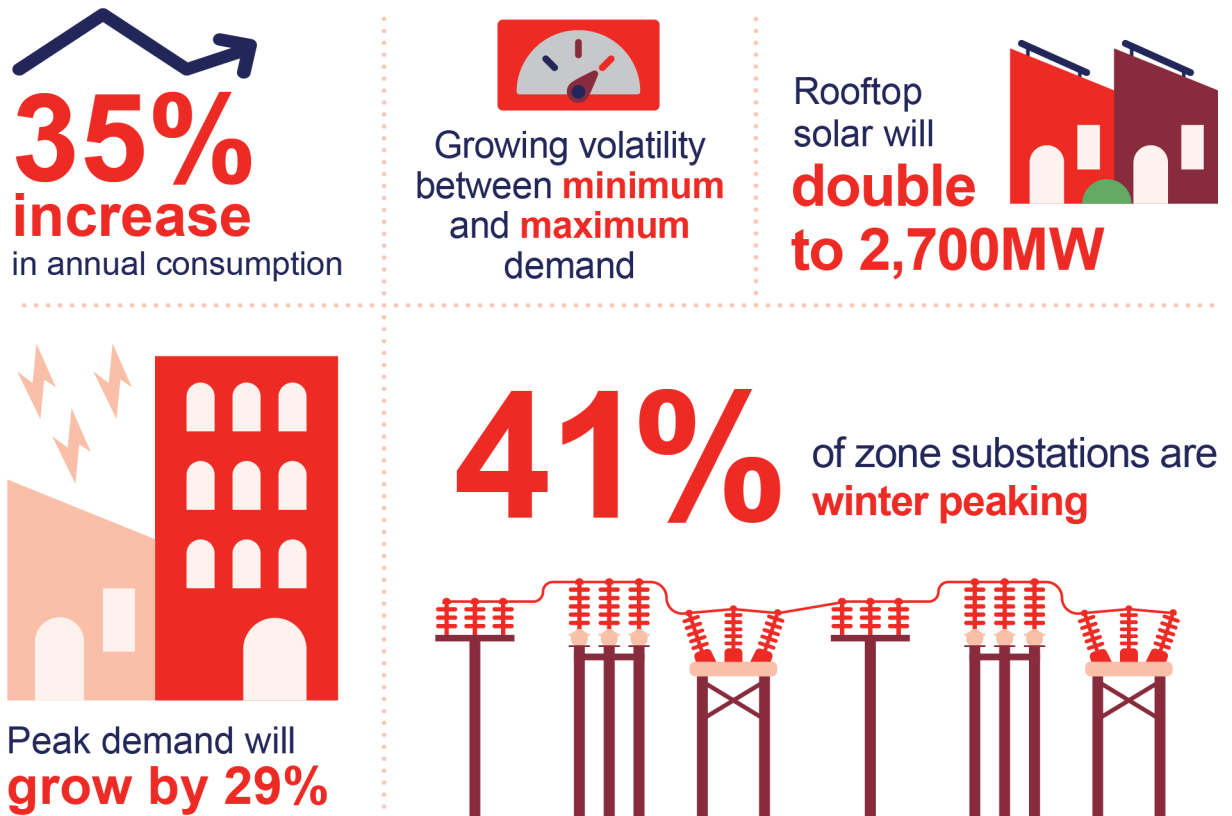
Understanding the potential impacts of this operating environment is critical, as customers need confidence in their energy system to have confidence to fully electrify their homes and lifestyle.

We have invested heavily, therefore, in enhancing our forecasting ability. For example, we now model both thermal 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 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



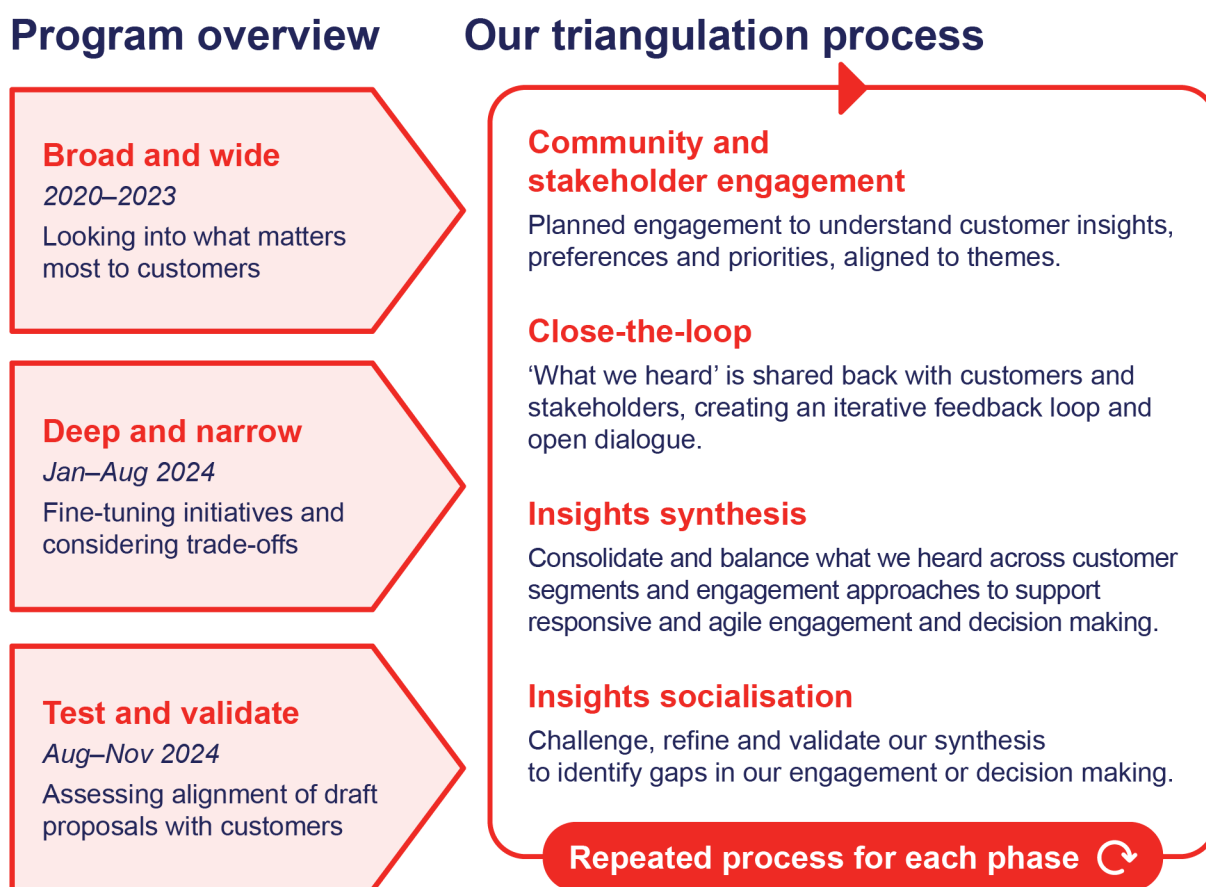
Note: Peak demand is calculated relative to previous highest network peak

## 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.<sup>2</sup>

**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.

<sup>2</sup> PAL 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.powercor.com.au](https://engage.powercor.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 over 9,440 Victorian customers and stakeholders, including more than 185 different organisations (including retailers and small scale aggregators).

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**

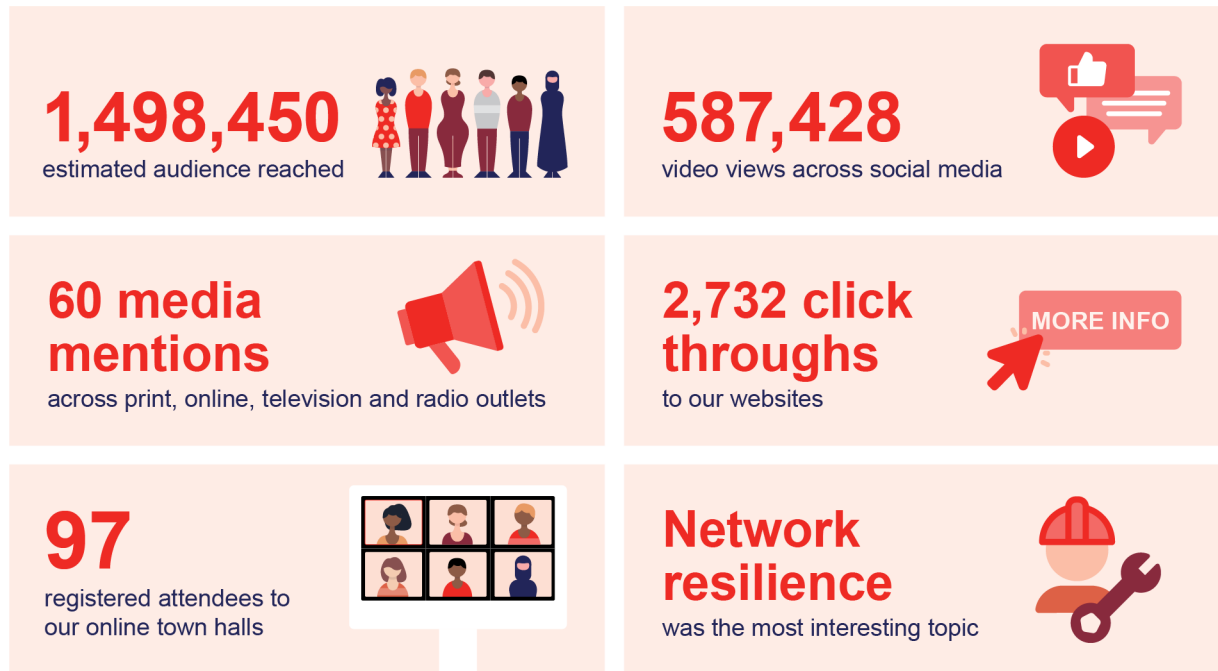
Our draft proposal, published in September 2024, provided a transparent and comprehensive view of our preliminary plans for the 2026–31 regulatory period. This also represented the start of the test and validate phase of our stakeholder engagement program, and allowed us to challenge whether our proposed 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 media representation further demonstrates the relevance of many of the challenges that we are seeking to work through with our customers in the 2026–31 regulatory period.

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.<sup>3</sup>

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 proposed regional and rural upgrades and the 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 lower levels of service experienced by rural customers and 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.

<sup>3</sup> PAL 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**

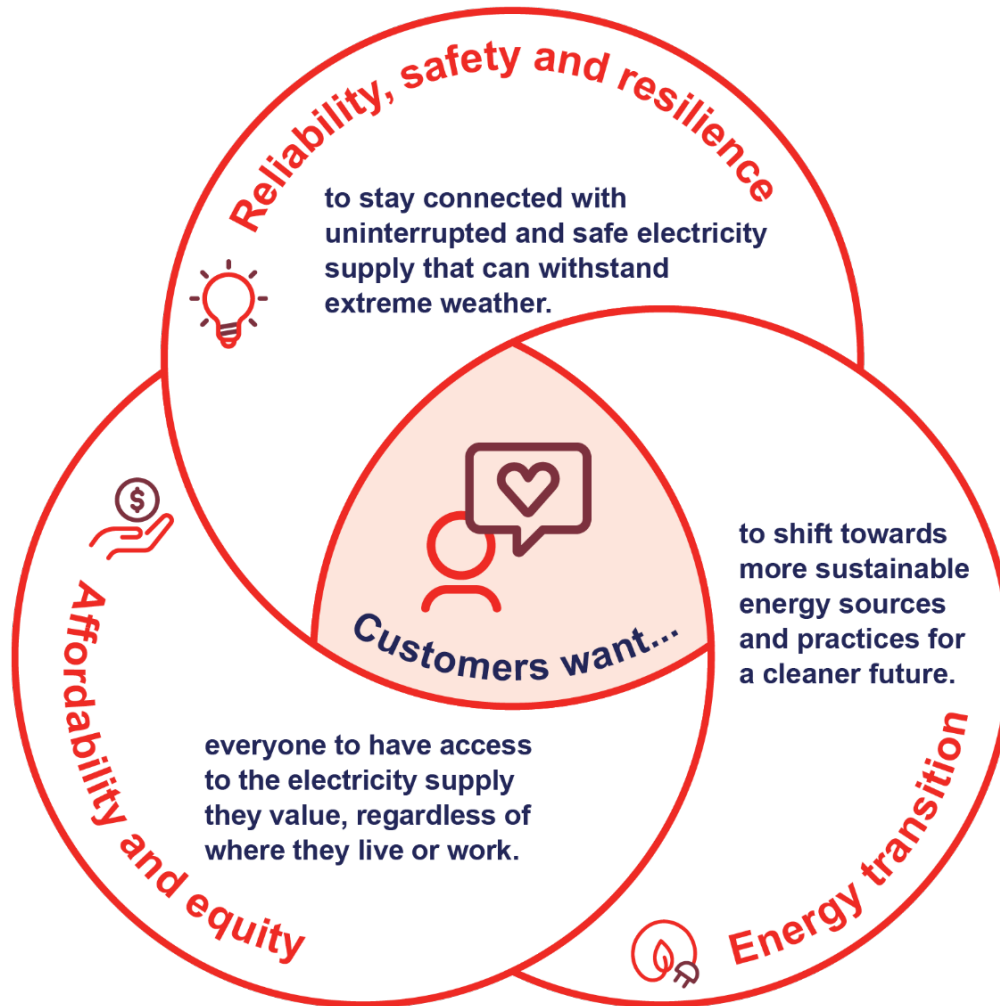


FIGURE 3.4 WHAT WE HEARD: RELIABILITY, SAFETY AND RESILIENCE

Deep and narrow

### We heard customers want

#### Reliability performance

- A dependable energy supply that supports health, safety, and comfort
- Improved reliability in rural and regional areas to support the growth of communities
- Greater use of CER to improve reliability and support greater community energy supply independence
- Sufficient energy capacity to support commercial and industrial customers' operational needs
- Consistent power quality to protect operations and revenue of commercial and industrial customers



71%

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

#### Network hardening to improve resilience

- Proactive and reactive action by Powercor to address network resilience
- A cost-effective approach to network resilience
- The ability to rely on Powercor, in conjunction with other stakeholders, in managing extreme weather events that impact regional community energy supplies



83%

of customers supported moderate or high investment to avoid prolonged outages

#### Community resilience

- Efficient, accessible, and responsive customer service, especially during extreme weather events
- Transparent and timely communication during extreme weather events, including information about outages, recovery times, and preparedness plans
- Distributors to provide support services, like temporary power supplies and community gathering points, during emergencies
- Pre-emptive planning and communication about contingency plans for future emergencies
- Special attention given to the needs of vulnerable customers during emergencies



70%

of customers supported community officers to prepare for, and respond to, extreme weather

Test and validate

### We heard customers support

- Investment in improving reliability of the network for residential, business and C&I customers, including pro-active meter replacements, recognising the flow on economic consequences of an unreliable network
- Greater investment in resilient network solutions, and long term innovation solutions, with customers highlighting the need for community involvement



69%

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

**FIGURE 3.5 WHAT WE HEARD: ENERGY TRANSITION**

**Deep and narrow**

**Test and validate**

**We heard customers want**

**Enabling electrification**

- Reliability prioritised during the energy transition
- Powercor to reduce its emissions, with clear communication and progress updates
- The transition to be managed effectively
- Reassurance the network can handle increased demand due to electrification, citing concern with network stability/capacity and high retrofitting costs for homes
- Network operation to remain efficient during the transition  
They view demand management as a tool to ensure this



**73%**

of customers support \$80–120m investment to proactively address network constraints due to electrification

**Integrating CER**

- More network capacity to support electric vehicle demand
- Capacity to enable customers to charge electric vehicles overnight at home
- Fair access to renewable energy for all customers
- Only limited further investment in solar export capacity
- New network and tariff strategies to accommodate customers becoming producers and consumers of energy
- Seek further access to CER to support reducing carbon emissions



**81%**

of customers prefer to charge their EVs at home



**81%**

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

**We heard customers support**

- Energy transition initiatives, however, customers would like increased education and clear benefit cases
- Reducing carbon emissions in line with government mandated targets. However business customers expressed concerns about the grid's ability to support the anticipated rise in electricity usage



**49%**

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



**73%**

of businesses

**53%**

of residential customers plan to electricify gas appliances within 5 years

**FIGURE 3.6 WHAT WE HEARD: AFFORDABILITY AND EQUITY**

**Deep and narrow**

**Test and validate**

**We heard customers want**

**Supporting vulnerable customers**

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



**23%**

of customers are under rental or mortgage stress

**Low-cost and fair outcomes**

- Network improvements to be affordable
- Any necessary cost increases to be introduced gradually
- New investments to provide clear value and be transparent
- The burden of transitioning to renewable energy sources to be equitable
- Future tariff structures to be more adaptable to accommodate evolving energy consumption patterns
- All customers to have access to the benefits of renewable energy
- A basic minimum reliability service to manage the differences in services with their metropolitan counterparts
- To be included in decision-making processes around resilience and energy transition initiatives



**74%**

of customers were willing to invest \$50–70m in enhancing service levels in regional and rural areas



**78%**

of customers were willing to pay to improve performance for worst-served customers

**We heard customers support**

- Increased augmentation investment in regional and rural communities to enable all Victorians to participate in the energy transition
- Customer assistance packages, increasing equity in the network, with customers suggesting an increase in dollar amount to increase value for customers
- Low-cost solutions enabling a small increase in bill impact, with customers seeking additional and clear information on customer benefits as well as the risk of bill adjustments in the future.

**“If investment is made, then rural and regional communities could thrive”**

**“Together, we can ensure a brighter, more sustainable future for our rural and regional communities”**










*Source: Powercor Rural and Regional Summit October 2024*

## 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.

**FIGURE 4.1 INCORPORATING CUSTOMER FEEDBACK: CASE STUDY**

BOTTOM-UP INPUTS	
Our approach	How we applied to our proposal
 <p><b>Identified need</b> Using customer feedback and behavioural trends to identify service level expectations</p>	<ul style="list-style-type: none"> <li>Attendees at our Rural and Regional Summit (2023) strongly urged us to develop a long-term plan for regional and rural supply</li> </ul>
 <p><b>Options assessment</b> Using quantitative customer feedback and trade-off preferences to prioritise options</p>	<ul style="list-style-type: none"> <li>Our trade-off forum tested three investment options with customers (including do-nothing), with 74% of customers supporting investments of \$50–70m to improve service levels</li> </ul>
 <p><b>Value to customers</b> Using customer values to quantify economic benefits</p>	<ul style="list-style-type: none"> <li>We valued constraints using AER approved values of customer reliability and emissions reduction</li> </ul>
TOP-DOWN PRINCIPLES	
Our principles	How we applied to our proposal
 <p><b>Affordability</b> No material price increases</p>	<ul style="list-style-type: none"> <li>Our draft proposal included \$45m of investments, notwithstanding modelling that showed \$72m of works were economic. This prioritised the principles of affordability for our customers and acceptability to regulators. Our program also reflected future considerations, recognising that large areas of our SWER network are approaching end-of-life now and longer-term needs are likely to grow</li> <li>Feedback during the test and validate phase of engagement from both the Rural and Regional Summit (2024) and the CAP, aligned with a more ambitious approach given the scale of the challenges ahead</li> <li>Our revised approach, while still being conscious of affordability, proposes increased investment based on greater consideration of equity for regional customers and acceptance to government and customers alike</li> <li>We have also ensured the proposed investment is capable of delivery within the regulatory period</li> </ul>
 <p><b>Equity</b> Reducing systemic service level imbalances and improve vulnerable customer outcomes</p>	
 <p><b>Future-focus</b> Considering how potential solutions meet future customer needs, and 'why now'</p>	
 <p><b>Acceptability</b> Considering the capability of acceptance by customers, regulators and government</p>	
 <p><b>Deliverability</b> Only proposing what we can deliver</p>	
 <p><b>Accountability</b> Ensuring we deliver what we say we will</p>	

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 moving faster to improve service level outcomes for regional and rural customers (as outlined above) and investing further in our vulnerable customer package.

We have also updated our regulatory proposal to reflect more recently available data. This includes new large customer connections—we have seven data centres on our network today, with a further five 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 \$180m. 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 an increase in our capital expenditure forecasts relative to our draft, and a 46 per cent uplift on historical investment levels (as shown in figure 4.2).

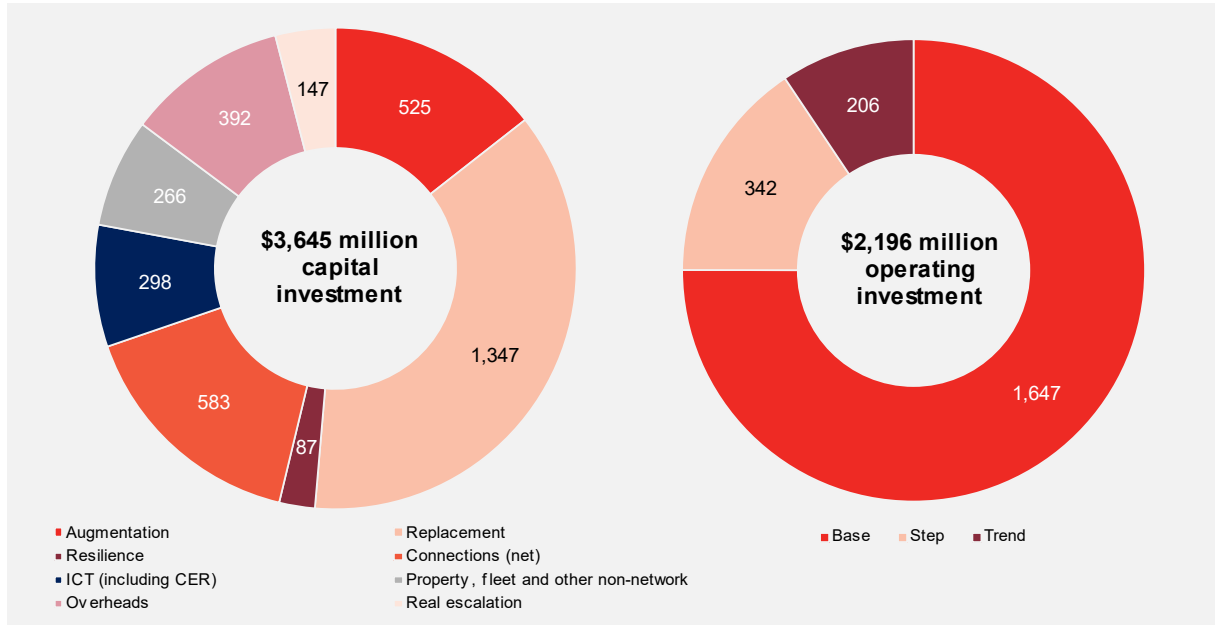
**FIGURE 4.2 ANNUAL NET CAPITAL EXPENDITURE (\$M, 2026)**



Note: New investment drivers include, for example, resilience, customer-driven electrification and new risk-based programs.

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. Totals may not add due to rounding.

### 4.1.1 Network tariffs

Overall, the expenditure impacts outlined above result in a 25 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**

<b>PROPOSED CHANGE</b>	<b>REASON FOR CHANGE</b>
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: SERVICE LEVEL EXPECTATIONS & OUTCOMES



SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
<p><b>Customers want us to maintain a reliable electricity supply, with no deterioration of existing service levels</b></p>	<ul style="list-style-type: none"> <li>• Uplift in overhead conductor and underground cable works to manage defects and large, aging asset populations</li> <li>• Continuing to upgrade, replace or refurbish assets based on risk, condition and functional failure</li> <li>• Uplifting cyber security protocols to minimise risks of a material cyber breach</li> <li>• Upgrading core IT infrastructure to integrate with new technologies</li> <li>• Developing our depots to maintain customer response times and support increasing works programs</li> </ul>	
<p><b>Customers expect that we manage our network safely, and in accordance with our compliance obligations</b></p>	<ul style="list-style-type: none"> <li>• Minimising bushfire risk by installing early fault detectors and covering high-risk conductor</li> <li>• Maintaining compliance with mandated REFCL performance standards as our network changes, and installing new REFCLs to reduce bushfire risk in the Horsham supply area</li> <li>• Using aerial inspections to better manage bushfire and compliance risks from vegetation clearances</li> <li>• Replacing inoperable switches to reduce planned outages and improve safety</li> <li>• Extending under frequency load shedding capabilities to the distribution level to minimise customers off-supply in emergency events</li> </ul>	
<p><b>Larger commercial and industrial customers want us to provide capacity and ensure consistent power quality to better support their operations</b></p>	<ul style="list-style-type: none"> <li>• Proactive customer electrification program that will improve capacity across our network</li> <li>• Targeted voltage and harmonics improvement programs</li> <li>• Increasing access to relationship managers for C&amp;I customers</li> </ul>	

**FIGURE 4.5 RESILIENCE: SERVICE LEVEL EXPECTATIONS & OUTCOMES**

SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
<p><b>Customers expect us to work with communities to better prepare for extreme weather events</b></p>	<ul style="list-style-type: none"> <li>• Community Support Officers, who know and serve their community</li> <li>• Enhanced climate modelling to better forecast consequence and causality of extreme weather events</li> </ul>	
<p><b>Customers expect us to minimise the likelihood and impact of extreme weather events</b></p>	<ul style="list-style-type: none"> <li>• Taller poles to increase clearance levels in flood prone areas</li> <li>• Making poles more fire resilient in high bushfire risk areas</li> <li>• Alternative supply pathways, including microgrids for high-risk townships</li> </ul>	
<p><b>Customers expect us to improve how we support them during emergencies</b></p>	<ul style="list-style-type: none"> <li>• Additional mobile emergency response vehicles to cater for multiple, concurrent outages</li> <li>• Improved situational awareness and prioritisation tools to manage risk and provide more relevant and timely information</li> </ul>	



**FIGURE 4.6 ENERGY TRANSITION: SERVICE LEVEL EXPECTATIONS & OUTCOMES**

SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
<p><b>Customers expect us to manage additional capacity requirements to support electrification at lowest long-term cost</b></p>	<ul style="list-style-type: none"> <li>• Introducing optional time of use tariffs to encourage consumption away from peak periods</li> <li>• Establishing demand management platform to better test the market for lower cost non-network alternatives</li> <li>• Improving data visibility for customers and third parties to support better energy management</li> <li>• No-regrets augmentation to increase capacity once lower cost alternatives have been exhausted</li> </ul>	
<p><b>Customers want greater energy supply independence</b></p>	<ul style="list-style-type: none"> <li>• New flexible export products to unlock additional solar through smarter solutions (rather than building more network)</li> <li>• Developing capability for flexible load products to efficiently manage EV uptake in future periods</li> <li>• Customer package to improve agency and understanding of the energy transition</li> <li>• New pricing arrangements to support uptake of energy storage</li> <li>• Complying with new market reforms required by AEMO to accommodate the uptake of new technologies</li> </ul>	
<p><b>Customers expect us to lower carbon emissions from the provision of their electricity supply</b></p>	<ul style="list-style-type: none"> <li>• Continue to connect renewable generation to the distribution grid</li> <li>• Gradual electrification of our corporate and field fleet</li> <li>• Targeted installation of solar panels and batteries at depots or substations</li> <li>• Removing SF6-based assets during existing replacement activities (where efficient)</li> <li>• Publishing our performance on lowering carbon emissions</li> </ul>	

**FIGURE 4.7 AFFORDABILITY & EQUITY: SERVICE LEVEL EXPECTATIONS & OUTCOMES**

SERVICE EXPECTATIONS AND CUSTOMER OUTCOME	HOW WE ARE DELIVERING THIS	CUSTOMER THEME
<p><b>Customers want tools to help them manage their electricity bills, including safeguards for customers experiencing (or at risk of) vulnerable circumstances</b></p>	<ul style="list-style-type: none"> <li>• Customer package outlining programs to support energy literacy and provide support to customers experiencing vulnerability</li> <li>• New flexible and static export products available to all customers</li> <li>• New tariff offerings, including discounted costs during the middle of the day and pricing arrangements for energy storage</li> <li>• Improved availability of customer and network data, and support to analyse and interpret information</li> <li>• Bespoke tariffs for large commercial and industrial customers</li> </ul>	
<p><b>Rural and regional customers want improved service level outcomes to ensure they're not left behind</b></p>	<ul style="list-style-type: none"> <li>• Regional and rural upgrades to support community growth and more equitable opportunities to participate in the energy transition</li> <li>• Targeted investments to improve outcomes for worst-served customers on our network</li> </ul>	
<p><b>Customers want clear value from their network</b></p>	<ul style="list-style-type: none"> <li>• Developing customer commitments and measurable service outcomes that will be published annually</li> <li>• Continuing to evolve the Customer Advisory Panel's role in challenging business and policy positions</li> <li>• Expanding the First People's Committee to provide feedback on energy transition and other issues</li> <li>• Limiting residential bill impacts to an annual yearly increase of just \$4 over the 2026–31 regulatory period</li> </ul>	



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