May 2025

Statement of reasons: United Energy's Annual Pricing Proposal

The AER approves United Energy's 2025–26 pricing proposal which contains tariffs that are due to commence on 1 July 2025. United Energy's approved tariffs are set out on our website.

Estimated network cost movements

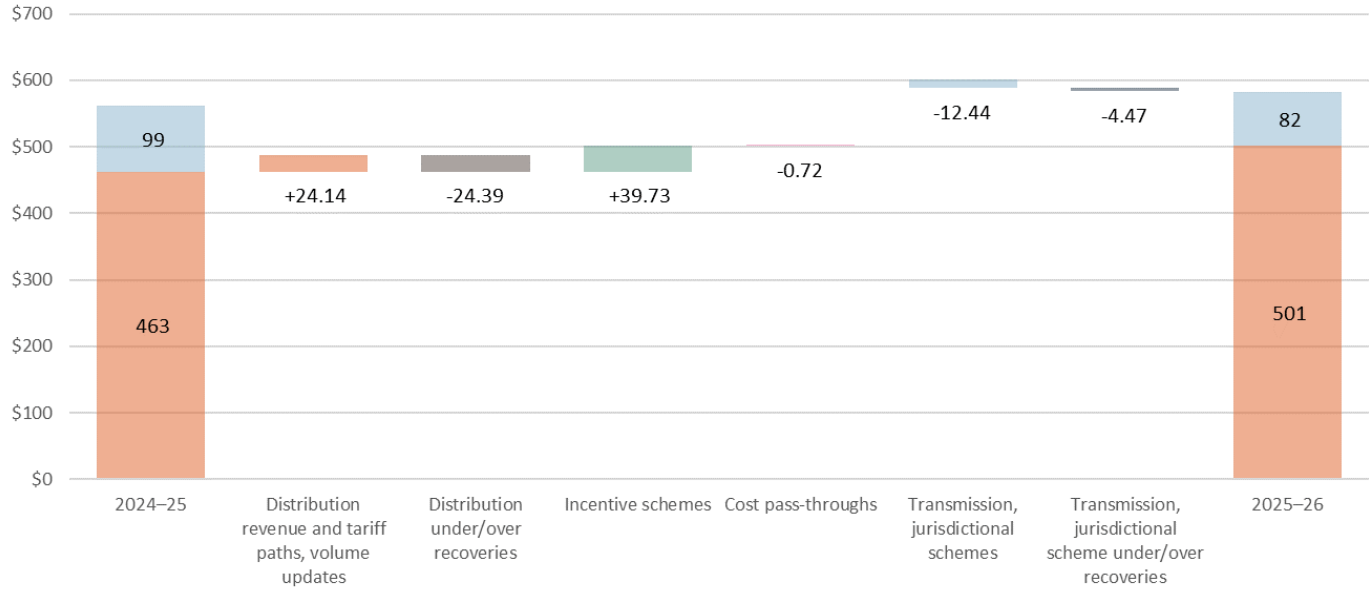
We estimate the average network price impact for United Energy's customers to be an increase of $21.85 for residential customers and $10.43 for small business customers in 2025–26 compared to 2024–25.

The network price movements reflect an increase in revenue that United Energy is allowed to recover in 2025–26. A forecast slight decrease in consumption contributes to this. We provide more detailed information on United Energy's consumption forecasts in the following pages.

The increase in revenue is predominantly due to deferred incentive scheme rewards from previous years, the revenue path set in the applicable determination with annual updates to the cost of debt, and actual inflation. This is partially offset by the return of previously over-recovered revenue. These key drivers can be seen in Figures 1 and 2.

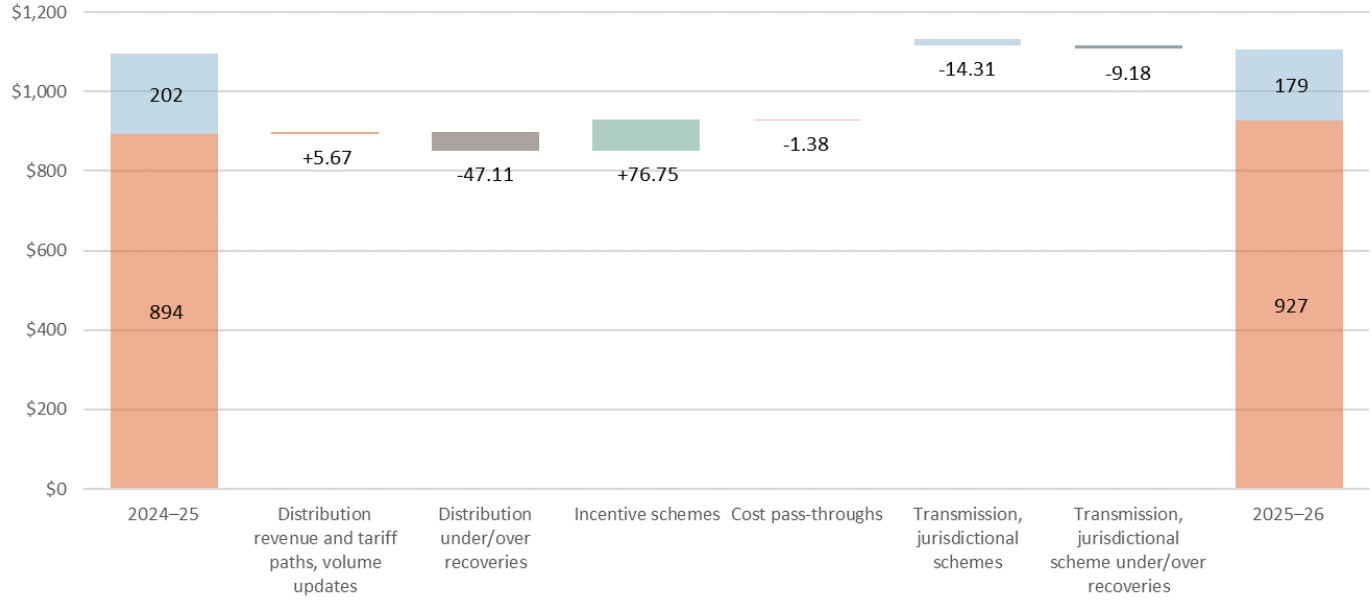
We note electricity retailers ultimately determine how these underlying network tariffs are reflected in the retail prices offered to customers. In most instances network charges make up less than half of the retail bill.

Figure 1 Residential: Average annual network charge



Source: AER analysis; United Energy's 2025–26 pricing proposal.
Note: The columns in the chart represent the average annual network charge for relevant years. Within the columns, the orange columns represent the distribution and metering components of the approved network tariffs. The blue columns represent revenues recovered on behalf of transmission networks and amounts related to schemes imposed by State or Territory Governments. The above analysis assumes electricity usage of 4,519 kWh. This is based on the most recent data for l electricity usage and customer numbers reported in United Energy's 2025–26 pricing proposal for the Residential Single Rate tariff.

Figure 2 Small business: Average annual network charge



Source: AER analysis; United Energy's 2025–26 pricing proposal.
Note: The columns in the chart represent the average annual network charge for relevant years. Within the columns, the orange columns represent the distribution and metering components of the approved network tariffs. The blue columns represent revenues recovered on behalf of transmission networks and amounts related to schemes imposed by State or Territory Governments. The above analysis assumes electricity usage of 8,614 kWh. This is based on the most recent data for electricity usage and customer numbers reported in United Energy's 2025–26 pricing proposal for the Small Business Single Rate tariff.

Actual bill impacts for individual customers will vary from our estimates as customers may be on different tariffs or consume different amounts of energy from our assumptions. Our analysis is based on flat rate or block tariffs, which have historically been the most common tariffs for residential and small business customers across the NEM. Varying movements across different components that make up tariffs may mean some tariffs increase while others decrease.

Under/over recovered revenues

Although we set the revenues the distributors can recover, the revenue they ultimately receive over an individual year is determined by the amount of actual energy consumed in that year. This is because:

- Actual energy consumption can fluctuate from forecast consumption because of a number of factors such as weather, increased uptake of solar PV, or the rate of electrification (that is, the shift from gas to electricity). These fluctuations in energy consumption result in distributors recovering more or less than the allowable revenue we set.
- Variations can also occur for the transmission costs and jurisdictional scheme amounts a distributor passes through to customers where actual payments differ to what was forecast.

To 'true-up' these variations in revenue, adjustments are made to allowable revenues for the upcoming financial year to ensure that over time, a distributor only recovers the revenue it is allowed.

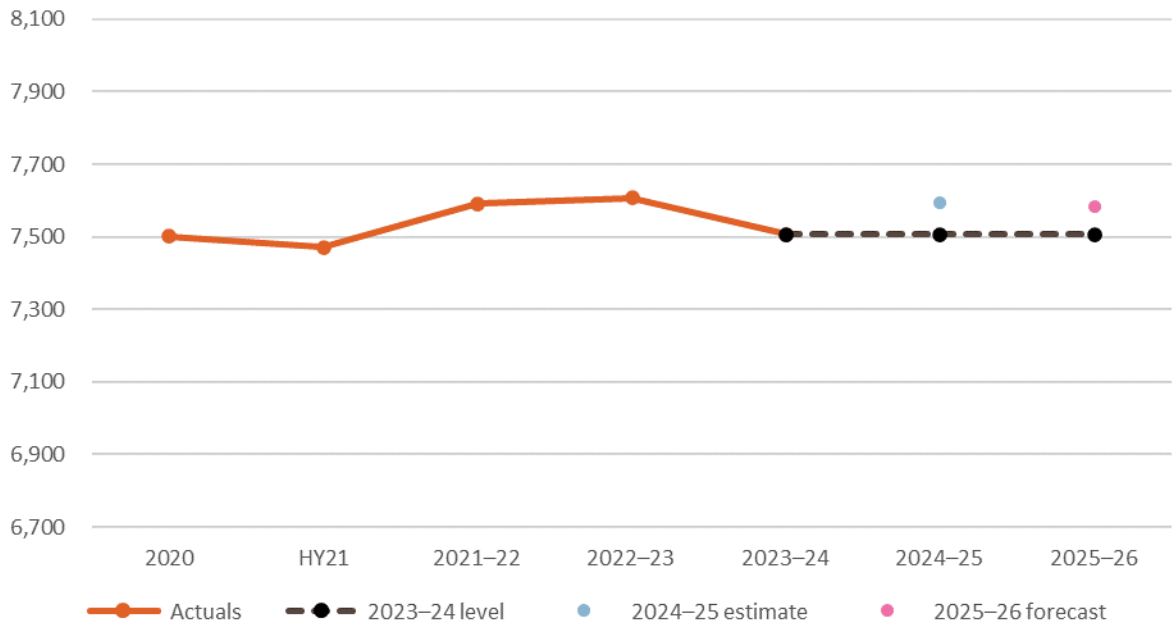
Consumption forecasts

Electricity distributors operate under a revenue cap which sets the annual allowed revenue they can recover to deliver safe and reliable electricity within their networks. Prices are determined based on forecast consumption for that year, allowing distributors to recover their allowed revenue. If distributors forecast lower consumption, then other things being equal, prices are expected to be higher to allow them to recover the revenue allowed.

Our assessment of the distributors' consumption forecasts includes analysis of historical consumption trends and the reasons put forward for any departure from them. This includes changes in consumption following Australia's response to COVID-19 and emerging trends, such as a result of the energy transition.

Figure 3 shows that United Energy has forecast a slight decrease in energy consumption for 2025–26, compared to its estimated consumption for 2024–25. The forecast is based on United Energy's standard forecasting approach and reflects a slight reduction in consumption across non-residential customer classes. This is slightly offset by an increase in residential consumption, driven by more extreme weather, fewer new solar PV installations, and a recent trend of higher average consumption per residential customer.

Figure 3 Energy volumes (GWh)



Source: AER analysis; RIN data; United Energy's 2025–26 pricing proposal.
Note: Victorian distribution networks have recently moved from calendar years to financial years. This included an additional 6-month period in the first half of 2021. We have annualised quantities for this period to be comparable with other years.

We consider United Energy's consumption forecasts are reasonable based on our analysis and the supporting information provided by United Energy.