



Regulatory proposal 2026–31

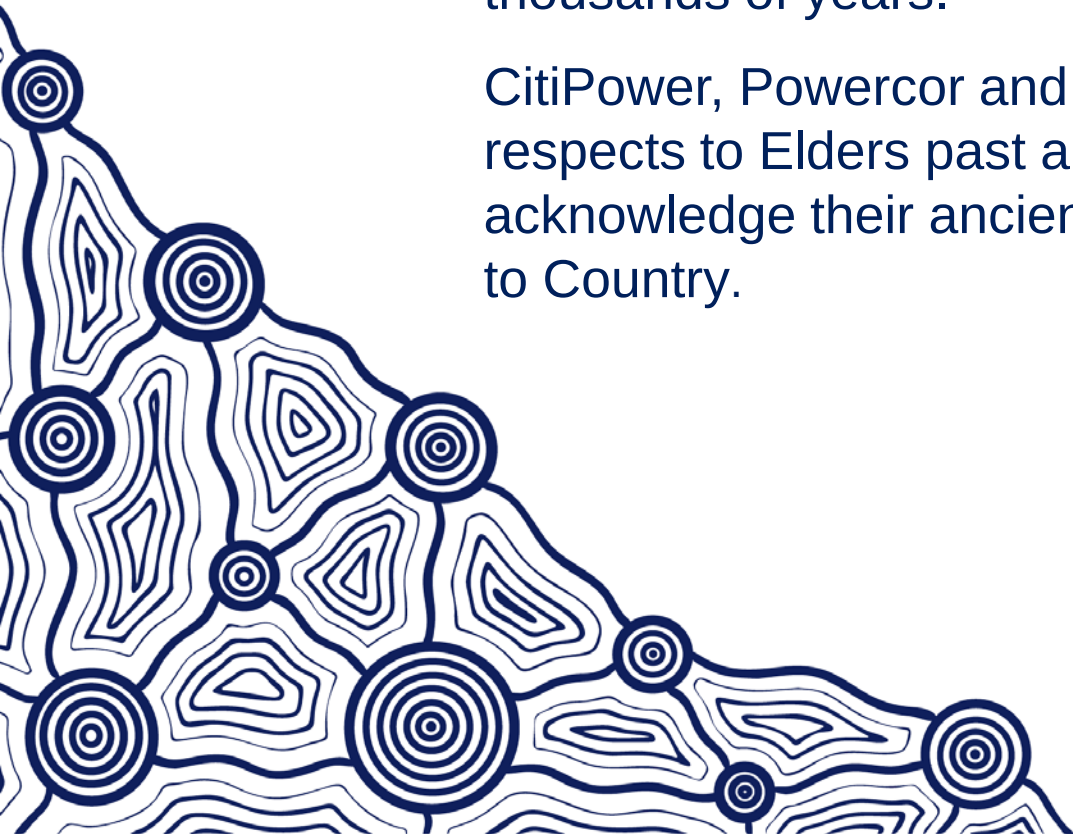
AER PUBLIC FORUM

14 OCTOBER 2025

Acknowledgement of Country

CitiPower, Powercor and United Energy acknowledge and respect 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.

CitiPower, Powercor and United Energy pay our respects to Elders past and present and acknowledge their ancient and continuing connection to Country.



AGENDA

1 Overview

Delivering value for customers

What has changed

AER draft decision

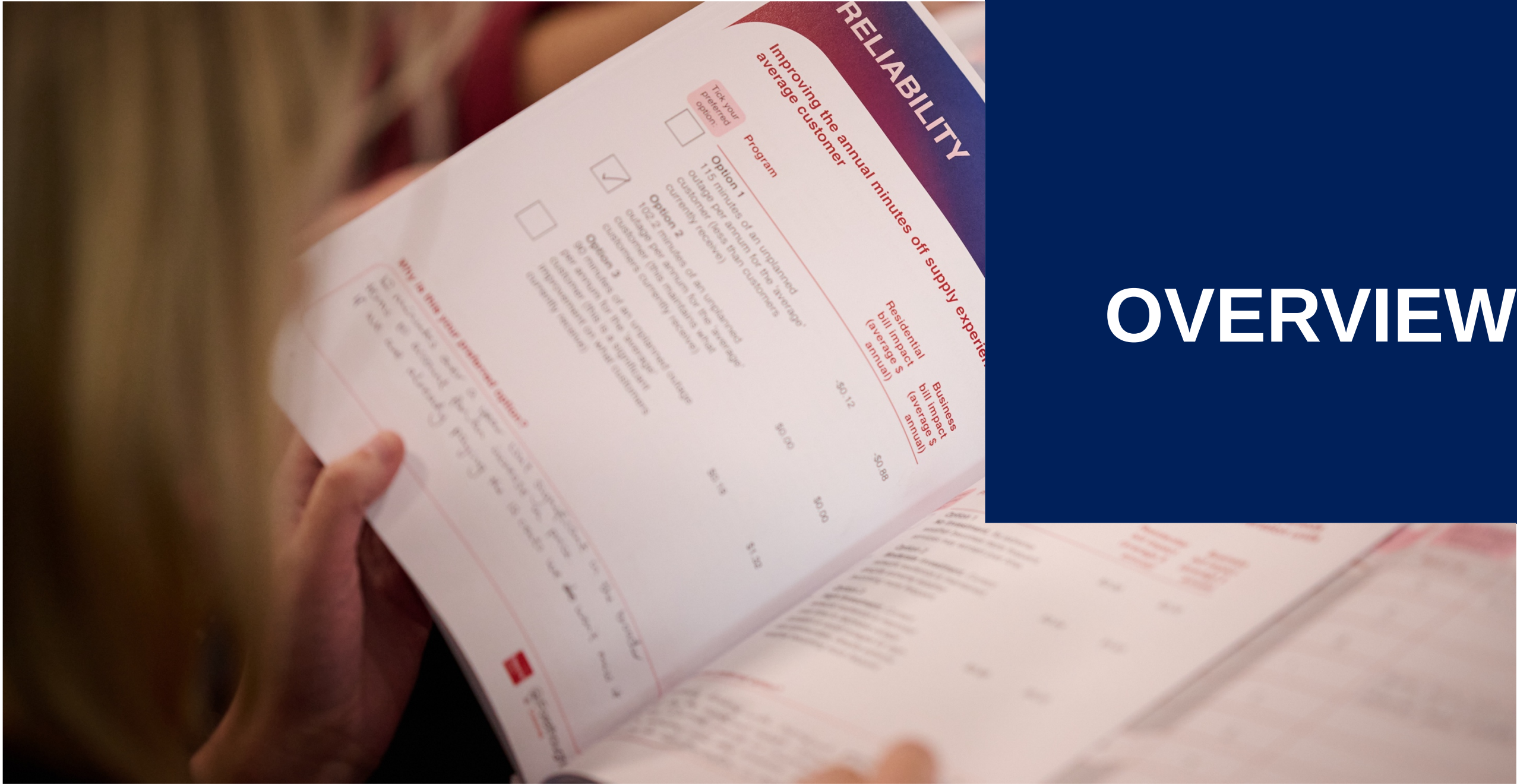
2 Areas in focus for the revised proposal

Customer-driven electrification

Regional and rural equity

Vegetation management

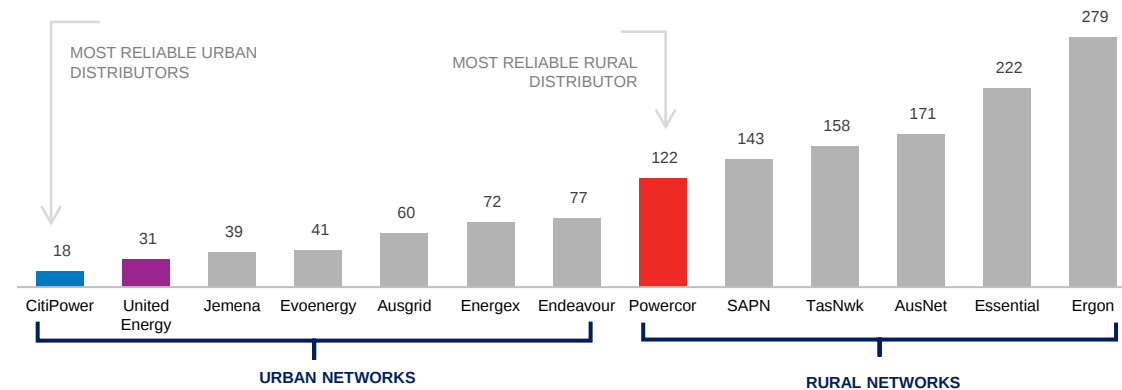
Other issues



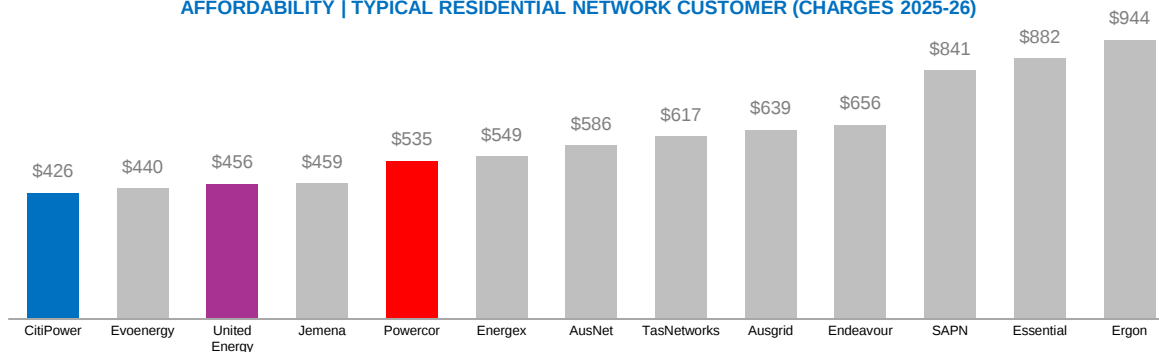
OVERVIEW

Delivering value for our customers

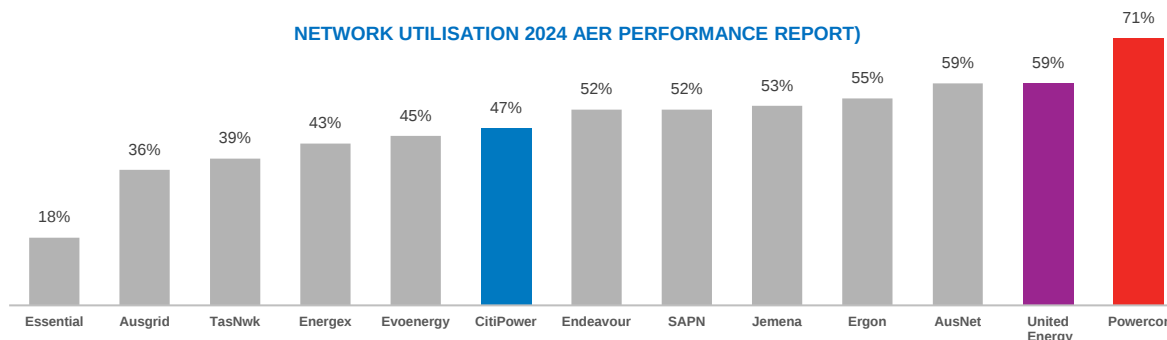
AVERAGE UNPLANNED MINUTES OFF SUPPLY PER CUSTOMER (2024 AER PERFORMANCE REPORT)



AFFORDABILITY | TYPICAL RESIDENTIAL NETWORK CUSTOMER (CHARGES 2025-26)



NETWORK UTILISATION 2024 AER PERFORMANCE REPORT



** CitiPower is subject to specific CBD security of supply obligations that mandate additional levels of redundancy

Our strong performance provides a good base

- Our customers experience some of the highest performance standards in the National Electricity Market (NEM), in terms of reliability and price
- Our network utilisation is higher than other networks—specifically Powercor and United Energy—and is forecast to increase further in the 2026–31 regulatory period
- This provides a strong platform to continue delivering the core services our customers rely on and meet their evolving needs

Our challenges

- The 2026-31 period brings new challenges the networks need to meet, while at the same time managing traditional investment drivers (cost and reliability)
- The expectations on distributors is evolving, including our role in supporting customers experiencing vulnerable circumstances and ensuring greater equity for all customers
- Our high network utilisation means we have limited headroom to absorb additional growth and the impacts of electrification will quickly challenge our existing networks

Changes in inputs and assumptions for the revised proposal

UPDATED DEMAND FORECASTS

- Our demand forecasts have been updated to align with the AEMO February 2025 Inputs, Assumptions and Scenarios Report (IASR)
- The new demand forecasts are generally higher than our regulatory proposal forecasts, driven by the inclusion of electrification of gas (which was omitted from our regulatory proposal forecasts), and a hotter summer period that unearthed latent demand

UPDATED VALUE OF CUSTOMER RELIABILITY (VCR)

- Our forecasts will reflect the updated December 2024 VCR results, which may require changes in the portfolio of projects proposed for the revised proposal
- These changes in VCR are also reflected in the Value of Network Resilience (VNR) which may impact on our resilience related investments for the revised proposal

2025 REGULATORY INFORMATION ORDER (RIO) UPDATES

- The business is required to submit its updated 2025 RIO data by early December 2025
- Where applicable the revised proposal forecast expenditure will reflect these updates

UPDATED STAKEHOLDER ENGAGEMENT



Understanding electrification of agriculture

April 2025



Customer willingness to pay

August 2025



Public lighting survey

August 2025



Customer impacts of undervoltage

September 2025



CAP engagement

Ongoing



Vulnerability stakeholder engagement

Ongoing

We agree with many aspects of the AER's draft decision, however we will continue to advocate for the programs and outcomes our customers highly value

WE PLAN TO ACCEPT THE FOLLOWING AREAS FROM THE AER'S DRAFT DECISION...

EXPENDITURE:

- Metering operating and capital expenditure, including the proactive metering replacement program
- Information and Communications Technology (ICT) capital expenditure, including Cyber Security
- Property capital expenditure including depot and office upgrades and physical security
- Fleet and other non-network expenditure including fleet insourcing and electrification initiative
- Operating expenditure step changes for resilience, customer assistance, CER integration and ICT modernisation

OTHER:

- Connection policy, control mechanisms to calculate annual prices and service classification

OUR REVISED PROPOSAL WILL FOCUS ON THE FOLLOWING AREAS



Customer-driven electrification



Regional and rural equity



Vegetation management



Other

AREAS IN FOCUS FOR THE REVISED PROPOSAL

RELIABILITY
Improving the annual minutes off supply experience

Tick your preferred option:

Program	Option 1 115 minutes of an unplanned outage per annum for the average customer (less than customers currently receive)	Option 2 102.2 minutes of an unplanned outage per annum for the average customer (this maintains what customers currently receive)	Option 3 90 minutes of an unplanned outage per annum for the average customer (this is a significant improvement on what customers currently receive)
Residential bill impact (average \$ annual)	-\$0.12	\$0.00	-\$0.88
Business bill impact (average \$ annual)	\$0.00	\$0.00	\$1.32

Why is this your preferred option?

60 minutes per annum for the average customer (this is a significant improvement on what customers currently receive)

Customer-driven electrification

Summary of determination (\$, m)

CITIPower

Powercor AUSTRALIA

united energy

Regulatory proposal	39.4	97.1	65.7
AER draft decision	4.7	11.5	7.8

Undervoltage impacts daily life



Degradation or malfunction of household appliances



Failed EV charging or curtailment



Inefficient and interrupted heating and cooling

Undervoltage impacts neighbouring households



Increased electrification is causing more undervoltage complaints



Increasing electrification lowers voltages for all households connected to the same circuit, not just the individual customer



Impacts on daily life will deteriorate exponentially as more households electrify

Undervoltage remediation typically takes 12 months



Reactive fixes often require complex site-specific investigations, design and upgrades



Customers will experience recurring undervoltage events until solutions are fully implemented



Proactive fixes can avoid customer impacts altogether at lower overall cost

Undervoltage impacts customer choice and net-zero targets



Customers cannot take advantage of retail offers that provide low/zero charges in the middle-of-the-day



Wholesale market benefits from low-cost renewable generation are limited



Consumption of renewable generation is reduced, impacting achievement of net-zero targets



72%

average impact of undervoltage compared to a power outage from customers surveyed

- Electrification will increase consumption and peak demand across our networks, leading to lower voltage levels supplied to local customers
- We are committed to enabling electrification on our networks as our customers care strongly about this issue
- We recognise that the AER has concerns with our approach to valuing electrification investment benefits, however there is no agreed industry standard value at this time
- We recognise, also, that tariffs have a role to play in supporting customers through the energy transition



Regional and rural equity

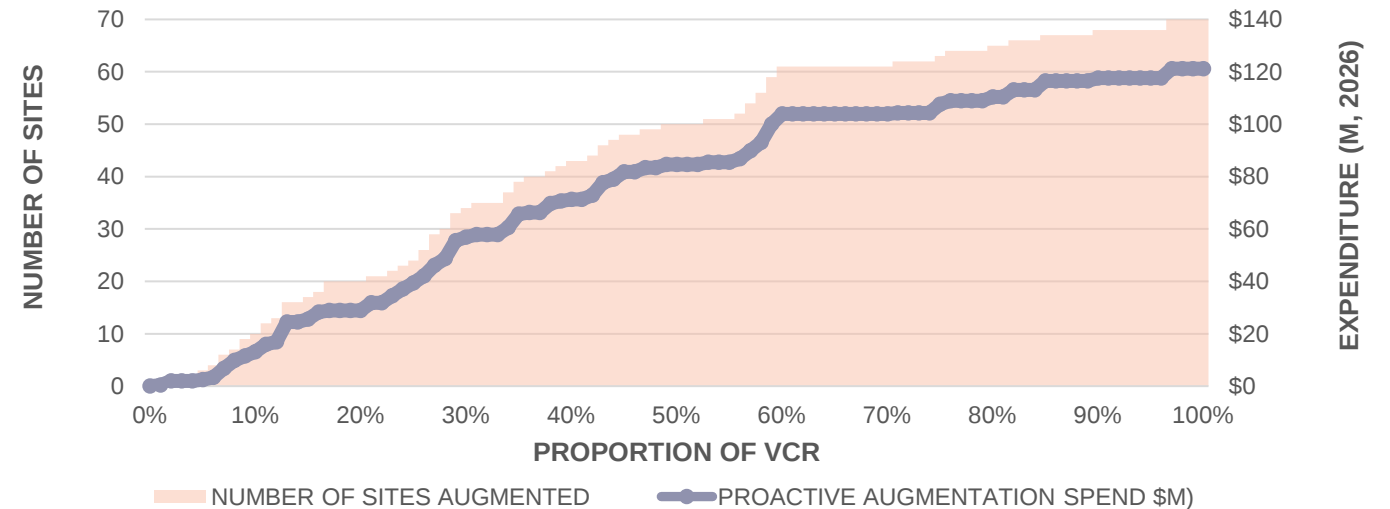
- We supply electricity to over 28,000 regional and rural customers supporting key industries critical to the Victorian economy, including major agriculture, manufacturing and tourism hubs
- Electricity supply to these customers has typically limited capacity and relatively low reliability and power quality compared to urban networks
- We are committed to improving outcomes and bridging the equity gap for our regional and rural customers
- Like our electrification investments, we recognise that the AER has concerns with our approach to valuing benefits of this program
- **We have undertaken additional engagement to further understand the impacts on our customers** through our “Understanding electrification of agriculture” and “Customer willingness to pay” engagements during 2025 **which show customers strongly support this initiative**

Summary of determination (\$, m)

Regulatory proposal	63.1
AER draft decision	6.1



REGIONAL AND RURAL PROGRAM: VCR SENSITIVITY



“Three-phase would be a game-changer ... you could actually plan around it”

Animal husbandry, livestock farmer

“Every time we shear, I have to turn our house off ... to run the shed”

Sheep farmer





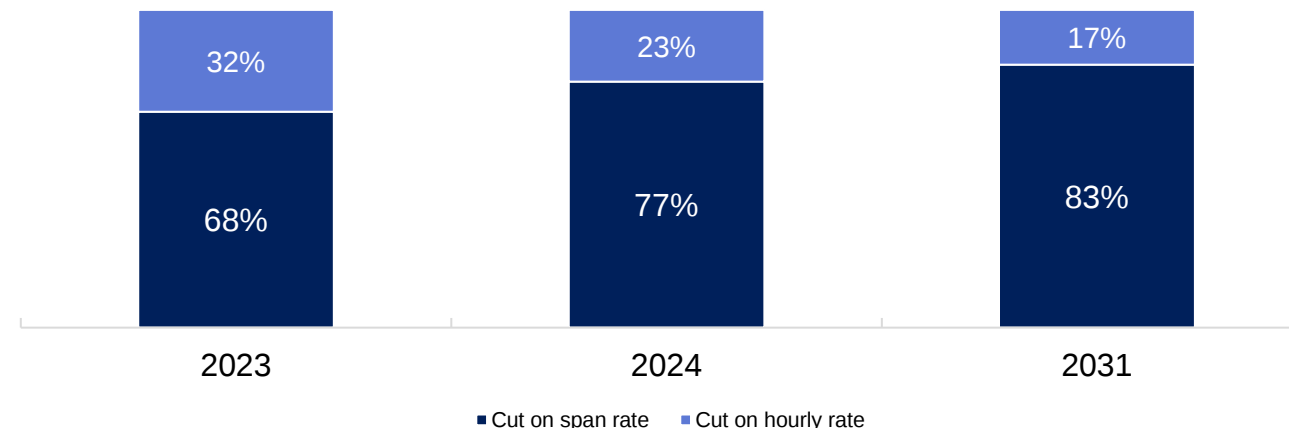
Vegetation management

Summary of determination (\$, m)



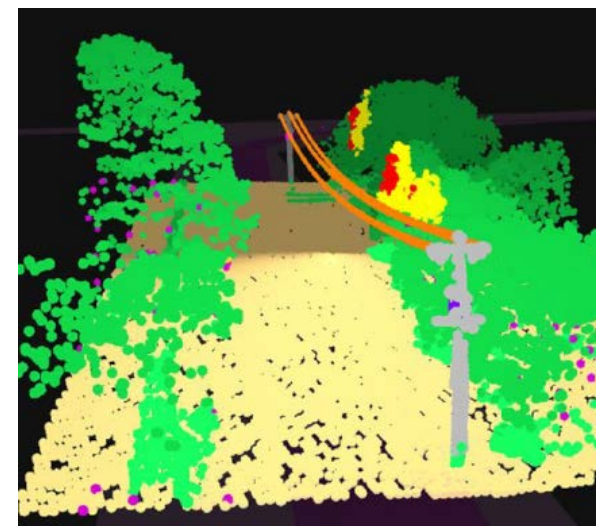
Regulatory proposal	33.6	232.9	72.3
AER draft decision	8.7	-	-

CUT ON SPAN RATE VS CUT ON HOURLY RATE



- We are subject to a number of regulatory obligations that govern how we must manage vegetation on our network
- Our customers recognise the importance of mitigating and managing the risk of vegetation related bushfires, and we are committed to delivering these safety outcomes
- Our use of light detection and ranging (LiDAR) technology is unique to our businesses, and has greatly enhanced our ability to identify spans that are, or will become non-compliant with the Code¹
- While the AER acknowledged our compliance obligation in its draft decision, it raised concerns that we had overstated cutting volumes and not appropriately reflected future efficiencies
- We are incorporating updated cutting volumes and rates in our revised proposal and this will result in a reduced step change

1. Code of Practice for Electric Line Clearance





Other issues in focus for the revised proposal

Insurance underspends

- The draft decision applies a significant EBSS penalty to Powercor and United Energy due to lower costs incurred on insurance premiums for the 2021-26 regulatory period

Contingent projects

- The draft decision stated that several of our proposed contingent projects were not sufficiently uncertain, and therefore not contingent

Contract labour escalation

- The draft decision applied modelling adjustments to reclassify internal labour outsourced to related parties as contract labour. The AER applies zero real cost escalation to contract labour

Replacement expenditure

- The draft decision reduced our replacement expenditure due to concerns with the relativity of our unit rates and alignment with observed defects and failure data

Data centre forecasts

- The draft decision provided our networks no allowance for data centres, with this recognised as a placeholder pending further detail
- We acknowledge that data centres are a relatively new phenomenon, and there is a learning process for all in understanding their economics

CLOSE