Powercor
AUSTRALIA

AUGMENTATION

GREATER WESTERN MELBOURNE SUPPLY

PAL RRP BUS 3.3.03 – PUBLIC
2026–31 REVISED PROPOSAL

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1. Overview

This business case addendum sets out our response to the AER's draft decision for the greater western Melbourne supply area and describes the further work we have undertaken since our original proposal.

Greater western Melbourne is rapidly developing, with population growth in the local government areas representing five of the ten highest growth statistical areas in Australia. Existing infrastructure in the area is reaching capacity limits, impacting the reliable supply of energy to our customers.

In our original proposal, we set out four augmentation projects to improve capacity in the greater western Melbourne growth corridor, based on the lowest cost per capacity added. To minimise short-term forecasting risk for customers, we proposed to treat one of the projects (the new Point cook zone substation) as a contingent project in the 2026–31 regulatory period.

The AER accepted our proposed expenditure for the greater western Melbourne supply area. However, the AER did not accept the contingent project for development of the Point Cook zone substation because it was considered sufficiently certain to be required in the 2026–31 regulatory period.

Our revised greater western Melbourne supply area business case and cost-benefit model set out our response to the AER's draft decision, including updated demand forecasts, re-evaluation of preferred option and reassessment of the optimal timing for PCK. This modelling shows increased energy at risk in the greater western Melbourne supply area compared to our regulatory proposal, maintaining the economic viability of our proposed capital investment projects and increasing the certainty that constructing the Point Cook zone substation is required within the 2026–31 regulatory period.

We have subsequently included construction of the Point Cook zone substation with one transformer in our revised proposal capex, which is presented in table 1 below.

TABLE 1 REVISED PROPOSAL: GREATER WESTERN MELBOURNE ($M, 2026)

PROJECT	REGULATORY PROPOSAL	AER DRAFT DECISION	REVISED PROPOSAL
MTC third transformer, BMH rebuild, RBE zone substation	89.2	89.2	88.9
PCK zone substation	-	-	57.5
Total	**89.2**	**89.2**	**146.4**

2. Background

In our regulatory proposal, we proposed a comprehensive set of augmentation works to manage growth in demand from greenfield development across the western Melbourne growth corridor.

2.1 Our regulatory proposal

The local government areas of Melton and Wyndham in greater western Melbourne are some of the fastest growing across Victoria and include five of the ten highest growth areas in Australia, largely driven by significant net internal migration from other suburbs.

To manage this growth, we considered combinations of four augmentation options to improve wide area supply capacity in the area at the lowest cost to customers:

- installing a third transformer at Mount Cottrell (MTC) zone substation
- re-building our Bacchus Marsh (BMH) zone substation
- building a new zone substation at Rockbank East (RBE)
- building a new zone substation at Point Cook (PCK), with either one or two transformers.

Our regulatory proposal preferred option was for all four augmentations in sequential order, but with PCK with one transformer as a contingent project for the 2026–31 regulatory period, with an expectation to install a second transformer in a later, following regulatory period.

Despite our demand forecasts and economic assessments showing that PCK was economic to commission by FY32, we proposed PCK as a contingent project given the uncertainty around the timing associated with demand growth and the large capex requirements of building a new zone substation.

2.2 AER draft decision

The AER accepted our proposed expenditure for the greater western Melbourne supply area, including augmentation works at MTC, BMH and RBE. However, the AER did not accept our proposal to include PCK as a contingent project.

The AER determined that PCK does not meet the requirements under the National Electricity Rules to be classified as a contingent project. The AER found that the project does not meet the requirements of the NER to be included as a contingent project as the trigger event, which if met signifies that the zone substation is required, is sufficiently certain to occur within the 2026–31 regulatory period.

The AER recommended that we either:[1]

- provide additional evidence to support why the occurrence of the trigger event for this project is not sufficiently certain
- include this expenditure in our revised proposal capital expenditure forecast.

[1] AER, Draft decision, Powercor electricity distribution determination 1 July 2026 – 30 June 2031, Attachment 2 - capital expenditure, p. 62

3. Our revised proposal

Our revised proposal expenditure forecast recognises the AER's acceptance of the required augmentation at MTC, BMH and RBE, and also includes the development of PCK 'Stage 1' with one transformer.

3.1 Response to AER draft decision

The AER determined that construction of the PCK zone substation does not meet the requirements under the National Electricity Rules to be classified as a contingent project. The AER recommended we either provide additional evidence to support the uncertainty of a trigger event or include the project in our capex forecast.

We accept the AER's determination that the project does not meet the requirements for contingent status under the National Electricity Rules given the timing of the project is known and is economic to construct during the 2026–31 regulatory period.

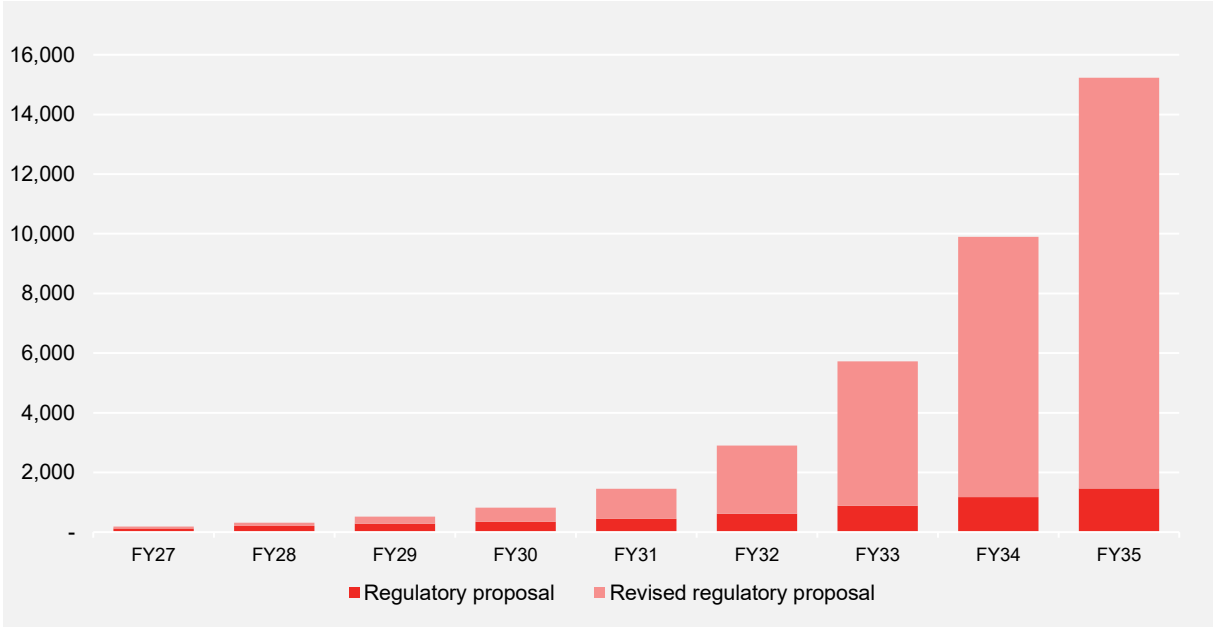
We provide more detail below, particularly in relation to our updated demand forecasts, re-evaluation of preferred option and reassessment of optimal timing for augmentation projects in the greater western region.

3.1.1 Updated demand forecasts have reaffirmed our preferred option

We have updated our revised proposal demand forecasts to include more recent AEMO inputs and assumptions, and another 12 months of network and customer smart meter data. We have also included additional load from the electrification of gas, which was inadvertently omitted from our regulatory proposal, and have adopted the AER's new values of customer reliability.

Our updated revised proposal demand forecasts have grown materially compared to our regulatory proposal demand forecasts, leading to more energy at risk in the greater western Melbourne growth corridor. Figure 1 below shows the amount of energy at risk under the base case in our regulatory proposal forecasts compared to our revised proposal demand forecasts.

FIGURE 1 ENERGY AT RISK UNDER THE BASE CASE (MWH)



This increase in energy at risk is due to several zone substations now surpassing their forecast N-rating under 50 per cent POE scenarios sooner than in our regulatory proposal. A comparison of expected exceedances under the regulatory proposal and revised proposal forecasts is shown below in table 2.

TABLE 2 ZONE SUBSTATION N RATING EXCEEDANCE COMPARISON

ZONE SUBSTATION	REGULATORY PROPOSAL N RATING EXCEEDANCE	REVISED PROPOSAL N RATING EXCEEDANCE
Melton (MLN)	2029	2027
Mount Cottrell (MTC)	2031	2032
Werribee (WBE)	2033	2027
Bacchus Marsh (BMH)	2035	2033
Laverton (LV)	Beyond reference period	2027
Truganina (TNA)	2026	2026
Laverton North (LVN)	Beyond reference period	Beyond reference period

Updates to our demand forecasts have reinforced the economic basis for all augmentations within the greater western Melbourne area. Our revised proposal economic modelling shows that prioritising northern capacity (e.g. building RBE before PCK) remains the preferred option as it results in the highest net economic benefit for customers.[2]

The difference in NPV between prioritising northern capacity and prioritising southern capacity (e.g. building PCK before RBE) is negligible. A summary of the economic analysis is shown in table 3 below.

TABLE 3 OPTIONS ANALYSIS FOR GREATER WESTERN MELBOURNE AREA ($M, 2026)

OPTION	OPTION DESCRIPTION	PV COSTS	NET BENEFITS
Option 1	No change to existing practices	-	-
Option 2	Southern capacity priority	(59)	4,749
Option 3	Northern capacity priority	(59)	4,754
Option 4	Lean investment, Northern capacity priority	(62)	4,645
Option 5	Lean investment, Southern capacity priority	(54)	4,415

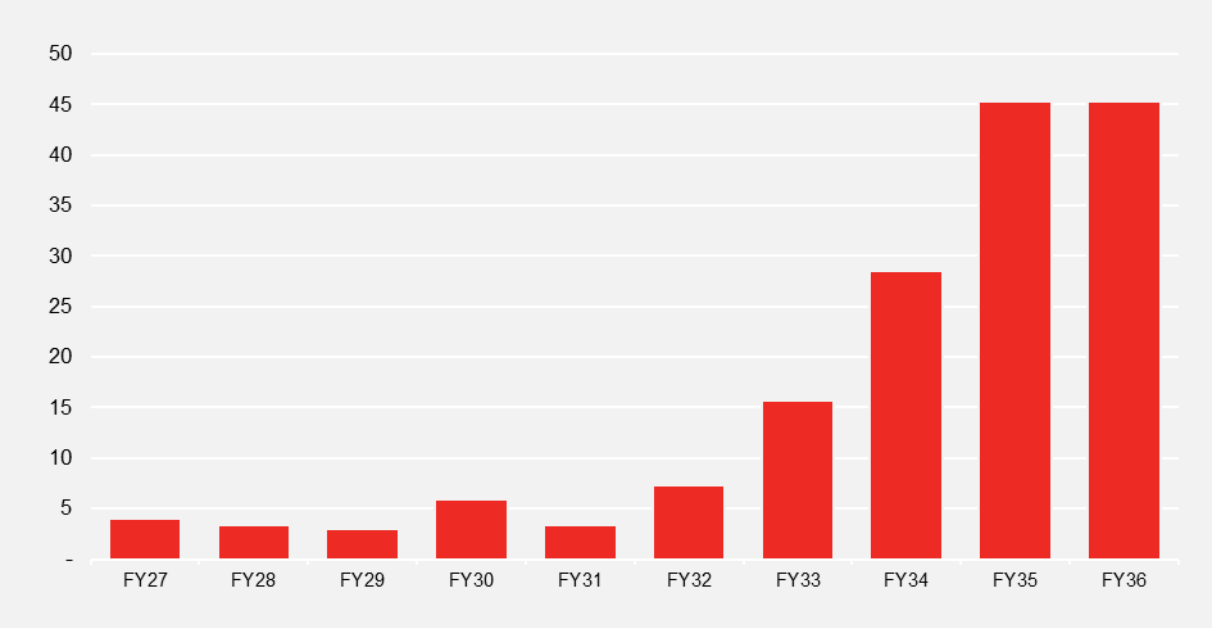
[2] See PAL RRP MOD 3.3.05 - Greater western Melbourne supply area - Dec2025 - Public

Consistent with our regulatory proposal, installing a third transformer at MTC, re-building the BMH zone substation, building a new RBE zone substation and building a new PCK zone substation all remain economic within the 2026–31 regulatory period.

The optimal timing for constructing PCK is within the regulatory period

Figure 2 below shows the residual value of energy at risk remaining after we have commissioned augmentation at MTC, BMH and RBE through the 2026–31 regulatory period.[3]

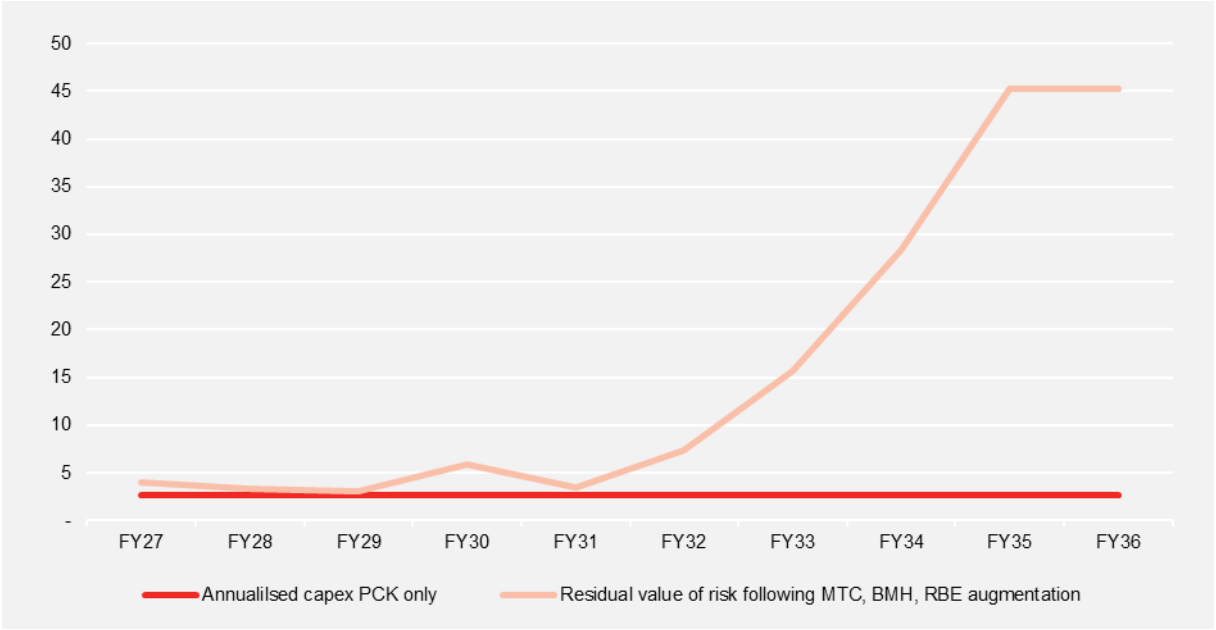
FIGURE 2 VALUE OF RESIDUAL EXPECTED UNSERVED ENERGY ($M, 2026)



Assessment of the optimal timing for the PCK zone substation shows that the economic benefits of option two are maximised if it is commissioned as soon as possible following commissioning of the RBE zone substation as the value of expected unserved energy exceeds the annualised project cost today. This assessment is shown in figure 3 below.[4]

[3] See PAL RRP MOD 3.3.05 - Greater western Melbourne supply area - Dec2025 – Public, summary sheet, cells 62-85
[4] See PAL RRP MOD 3.3.05 - Greater western Melbourne supply area - Dec2025 – Public, summary sheet, cells 62-85

FIGURE 3 TIMING OF PREFERRED OPTION ($M, 2026)



3.2 Revised proposal forecast

We accept the AER's determination that PCK stage one is not sufficiently uncertain and we have also accepted the AER's recommendation to include PCK stage one in our revised proposal capex forecast.

Our revised capex forecast is shown below in table 4, which now includes capital expenditure to deliver stage 1 of the PCK zone substation within the 2026–31 regulatory period.

TABLE 4 REVISED GREATER WESTERN MELBOURNE INVESTMENT ($M, 2026)

PROJECT	FY27	FY28	FY29	FY30	FY31	TOTAL
Previously accepted third transformer at MTC, rebuild BMH, build new RBE zone substation	30.8	20.9	19.4	17.8	-	88.9
New PCK zone substation stage 1	-	-	6.0	26.9	24.6	57.5
Total	**30.8**	**20.9**	**25.4**	**44.7**	**24.6**	**146.4**

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