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## **CCP32 Advice to the Australian Energy Regulator on the AER Draft Decision & 2026-31 Revised Revenue Proposal for CitiPower Electricity Distribution Network**

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**Consumer Challenge Panel (CCP) Sub-Panel CCP32**

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## **Acknowledgements**

### **Acknowledgement of Country**

We acknowledge the Traditional Custodians of the various lands on which the National Electricity Market operates, and where Victorian electricity distribution network businesses own and operate their networks and facilities. We honour the customs and traditions and special relationship of Traditional Custodians with their land. We respect the elders of these nations, past, present and emerging.

### **Acknowledgement of Support**

CCP32 wishes to acknowledge the cooperation and support of Jemena and AER staff who have generously provided information and insights to assist the sub-panel in its review of the AER's Draft Decision and the business's Revised Revenue Proposal.

### **Confidentiality**

We advise that to the best of our knowledge this report does not present any confidential information.

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## 1. Introduction

Every five years, regulated network businesses are required to submit a Regulatory Proposal to the AER setting out the network investments and revenue required to deliver electricity distribution services for the next period.

Statements of Advice were provided to the Australian Energy Regulator (AER) by Consumer Challenge Panel sub-panel 32 (CCP32) in response to the 2026-31 Regulatory Proposals for each of the five Victorian electricity distribution business in May 2025. This report builds on that Advice and specifically considers:

- The AER's Draft Decision, released on 30<sup>th</sup> September 2025
- The Revised Revenue Proposal lodged with the AER on 1<sup>st</sup> December 2025
- Engagement with consumers and stakeholders between the lodgement of the initial regulatory proposal on 31<sup>st</sup> January 2025 and the lodgement of the Revised Revenue Proposal on 1<sup>st</sup> December.

CCP32 reapplies our May 2025 observations that this Revised Proposal has been prepared in a time of continuing uncertainty and significant challenge. Some key factors influencing Victorian DNSP 2026-31 Proposals that were not present in their 2021-26 Proposals include an increased focus by communities and the Victorian Government on network resilience, and a greater emphasis on the impacts of the move to electrification and consumer energy resources (CER) by Victorian consumers and an active and changing policy and regulatory environment.

This is one of five submissions that CCP32 has prepared in response to Revised Revenue Proposals from each of the Victorian electricity distribution businesses. All five submissions focus on consumer engagement undertaken by the businesses with a main focus on engagement undertaken during 2025, this being the time between the lodgement of the original revenue proposal and the lodgement of the Revised Proposal. This statement of Advice considers the CitiPower Draft Decision and Revised Proposal. Since CitiPower is one of three Victorian businesses with similar ownership, some of the comments and reflection in this Advice apply to all three 'sister' businesses: Powercor, United Energy and CitiPower, referred to collectively as the CPU businesses.

Notes:

1. All financial information in this report is presented in real 2025-26 dollars, unless otherwise stated.
2. Page numbers quoted in this document refer to the page in the relevant "Revised Proposal Overview2026-31."

## 2. Limits to CCP role

The role of the CCP is to provide the AER with:

1. Advice on whether the long-term interests of consumers are being appropriately considered in a business's regulatory proposals and the AER's decision making, and
2. An assessment of consumer engagement and the extent to which initial and revised proposals reflect consumer preferences.

In considering the consumer engagement conducted by Victorian network businesses and the impact of their engagement, there have been continuing, limiting factors

Continuing factors, which were described in our May 2025 Advice, being:

*1. Late Appointment of CCP*

For CCP subpanel 32 (CCP32) there has been very limited capacity of CCP32 to observe engagement activities conducted by CitiPower due to the timing of member appointment.

In addition,

*2. Limited ability to observe engagement*

CCP32 notes that there were limited opportunities for us to observe engagement undertaken by some businesses throughout 2025.

*3. Limited time for businesses to engage on topics raised in the Draft Decisions*

With Draft Decisions being released at the end of September and Revised Proposals due by the beginning of December, there is limited time for businesses to engage on specific matters raised in Draft Decisions and insufficient time to commence new engagement on broader topics.

### 3. Engagement undertaken during 2025

In their Draft Decision, the AER identified a ‘handful’ of topics where further engagement was encouraged and in some instances, additional information sought to justify expenditure proposals. The topics most germane to CitiPower consumers we summarise as:

- Resilience
- Capital expenditure (particularly augmentation – augex)
- Vulnerable customer package
- Opex, including vegetation management and “Customer Assistance Package”
- Innovation

The engagement approach by the CPU businesses for the 2026-31 Revised Revenue Proposal has been summarised by them with this diagram as “phase 4, Review and Refine” planned for and implemented over 2025, after the lodgement of the initial proposal in January 2025.



The Draft Decision “engage further” topics (for all three businesses) were included in the “Review and Refine” phase where possible. Some phase 4 engagement topics were anticipated by CPU, and some were also the subject of planned ongoing engagement.

The 2025 engagement activities undertaken by CitiPower, either specific to them or as part of CPU business engagement were, to the best of our understanding, the following:

- Ongoing discussion with the CAP, including about Draft Decision questions including CSIS, Innovation, CER enablement, regional and rural service quality, uncertainty and rapid change
- Targeted Willingness to Pay processes including: a survey (802 participants), in-depth one-to-one interviews (16 participants) and bilateral discussions with C&I customers

- Survey – through an online link, and phone discussion with customers complaining about undervoltage (87 people in total)
- In depth interviews with farmers about electrification and future electricity requirements of various farming types (19 interviews, 28 people)
- A public lighting webinar with 25 participants and 22 follow up surveys
- Ongoing partnership re electrification and consumer behaviours with RACE2030, through Monash University
- Working with the First Peoples Advisory Committee (FPAC) appointed by the CPU businesses.

The following table brings together, in summary, the Draft Decision engagement topics noted above with some additional, relevant topics. The second column identifies the engagement program, germane to these topics with an overview of the main methodologies applied. The third column lists the engagement topics covered by the relevant engagement activity, as intended by the businesses. The final column indicates the relevant businesses. The abbreviation CP refers to CitiPower, so the engagement activities relevant to them are indicated in the fourth column.

We also note that some of the engagement was quite specific to developing the Revised Proposal while other topics were explored as part of “business as usual” (BAU) engagement.

#### **CPU Engagement Program and Methodologies – During 2025**

<b>Draft Decision Topic</b>	<b>Engagement program and methods</b>	<b>Engagement Activity: Topics Covered</b>	<b>Relevant Business</b>
Capex: regional and rural upgrades, including worst performing feeders / SWER upgrades	“Willingness to pay” <ul style="list-style-type: none"> <li>• Quantitative Survey +</li> <li>• In depth interviews +</li> <li>• 1:1 with C&amp;I customers (Conducted by 3<sup>rd</sup> party – Quantum Market Research)</li> </ul>	<ul style="list-style-type: none"> <li>• SWER upgrades to three phase</li> <li>• Customer assistance package</li> </ul> Specific to C&I: BAU and ongoing understanding of needs and preferences	Powercor
Capex: responses to undervoltage	Surveyed 87 customers who complained about undervoltage impacts: <ul style="list-style-type: none"> <li>• All complainants invited to complete an online survey</li> <li>• Phone discussion with some</li> <li>• Face to face discussion where possible during ‘fix ups’</li> </ul>	<ul style="list-style-type: none"> <li>• Customer-driven electrification</li> </ul> BAU engagement. Ongoing and significant issue for CitiPower	CP, PC, UE
CAPEX: CER enablement	Discussed with CAP Linked with undervoltage engagement Discussed with Committee for Greater Shepparton (CGS), DEECA, ESC. And ECA	CER	CP, UE (PC explored though PC specific processes)
CAPEX: resilience	No new engagement: Consumer inputs from process conducted before 2025 were utilised. Also, bilaterals with DEECA, CGS and ESV	Resilience	CP, UE
CAPEX / Opex. Electrification of Agriculture	19 in depth interviews and cooperation with regional bodies including Farmers for Climate Change and Committee for Shepparton	<ul style="list-style-type: none"> <li>• BAU engagement</li> <li>• Regional and rural supply upgrades</li> <li>• Innovation allowance</li> <li>• Northern Murray harmonics</li> <li>• Community support officers</li> </ul>	Powercor

Draft Decision Topic	Engagement program and methods	Engagement Activity: Topics Covered	Relevant Business
Opex: Customer Vulnerability Strategy	“Willingness to pay” Same methodology and survey as regional and rural worst served customers with focus on “Customer Assistance Package.”	<ul style="list-style-type: none"> <li>Vulnerability strategy</li> <li>BAU engagement in better understanding customers in vulnerable circumstances</li> </ul> Customer Assistance Package	CP, PC, UE
Opex: Customer Vulnerability Strategy	First People’s Advisory Committee (FPAC)	Customer Assistance Package	UE, PC
Opex: vegetation Management	No new engagement. Consumer inputs from process conducted before 2025 were utilised.	Vegetation management	PC, UE
Tax on connections	CAP, 1:1 with businesses directly connected to the network and with EUAA, ECA and DEECA	Tax on connections Data Centre growth	CP, PC, UE
Innovation Allowance	CAP	Governance Innovation projects	CP, PC, UE
Tariffs: Kerbside charging	Engaged with “19 informed stakeholders”  1.5 hour workshop, 17 participants, survey for additional stakeholders. Participants included kerbside infrastructure owners. operators and retailers.	Kerbside EV Tariffs	CP, PC, UE
Public Lighting	Engaged with 25 stakeholders, mainly Councils through webinar and follow up survey	Public Lighting	CP, PC, UE
<i>(Review and Refine – included though not a Draft Decision topic)</i>	Customer Commitments <ul style="list-style-type: none"> <li>CAP engagement: From mid 2024 – November 25</li> <li>Bespoke customer research: September 2025</li> </ul>	All key initiatives within the reset across the strategic pillars of: reliability, resilience, affordability, equity, energy transition	CP, PC, UE

Compiled by CCP32 with advice from CPU businesses staff – January 2026

#### Further detail regarding selected engagement activities.

‘Impacts of undervoltage’ engagement comprised a link to an online survey being sent to every person who rang about low voltage problems. Some of these customers were followed up with phone calls. Where ‘fix up’ activities were undertaken there was discussion, where appropriate with customers on site. This is a BAU process relevant to aspects of the Revised Proposal with 87 customer responses received during 2025.

Recent discussions with CPU staff have directed CCP32 to the relationship with Monash University, that is referred to in our May 2025 response to the AER’s Issues Papers. Monash University is part of the RACE for 2030 research project with the CPU businesses involved as an Industry Partner. A report for CPU businesses, Scenarios for Future Living<sup>1</sup> has recently been released with the businesses saying:

*“Key ways we will utilise the insights:*

- more accurately preparing future demand and connection forecasts*
- better network planning to anticipate evolving and trends and preferences*
- developing more targeted and effective network tariffs*
- developing new demand management products and services*

<sup>1</sup> [About - Scenarios for Future Living](#)



- *building an ongoing understanding of our customers' future needs, preferences and energy use trends."*

This is a BAU partnership that has and is contributing to CPU business thinking about customer priorities.

### **CCP32 observations**

#### **Principles Based Engagement Approach**

In our response to the CitiPower Issues Paper (May 2025) we made the following comments about the CPU approach to engagement for the 2026-31 regulatory process. We think that this is worth repeating, in large part because the approach differs in some details from methodologies applied by other network businesses.

*"CCP32 thinks that it is worth noting that the methodology for consumer engagement that CPU has applied is different in focus, to the consumer engagement approaches that have been applied by many other energy network businesses. The engagement process was commenced very early, with CPU keen to apply lessons learned from their engagement for the 2021-26 regulatory period. There have been three aspects to the proposal development:*

- 1. Principle based: There was a very strong focus on the principles that customers expected to be applied to developing the regulatory proposal. There was a firm commitment in taking this approach "broad and wide" to interact with a diversity of consumer and stakeholder interests.*
- 2. Much of the development of the detail of what would become the regulatory proposal was undertaken internally by the CPU businesses, with a commitment to rigorously apply the principles that had been developed. CPU businesses describe this internal process as being based "on a robust governance framework."*
- 3. Test (and validate) the conclusions reached by CPU businesses in applying the principles to more specific aspects of the proposal."*

During 2025 the CPU businesses have stayed true to their Principles Based Engagement approach, with its focus on internal actions applying the principles.

In their Revised Proposal CitiPower continued to invoke "the golden thread" stating that it remains the basis of their 'investment cases' and providing a linkage "between the voice of the customer and our Revised Proposal." (page 8 of Revised Proposal)

There is much to like about any principles based approach, using principles developed with active consumer input. The willingness of the CPU businesses to maintain the approach over the full duration of the reset process, and beyond we expect, is constructive.

We also highlight that a 'principles-based approach' is not unique to the CPU businesses, it's an approach that is widely used by network businesses as part of their engagement. What we observe that is more bespoke to the CPU businesses is the extent to which the principles are applied internally for the business. There is not the same level of external engagement activities that CCP subpanels observe for other businesses. Engagement beyond the internal structures appears to be driven by desire from within the business to garner specific information about a particular issue.

## CAP

The Consumer Advisory Panel (CAP), to our understanding, has been a key partner in developing and reviewing engagement activities and interpreting results. Where we have been able to observe CAP meetings, we are convinced that the CAP members are independent and are able to provide a challenge role, when members consider this warranted, as well as being collaborators. The CPU businesses have done well in appointing CAP members who will not necessarily agree with CPU staff perspectives and who are well informed about the regulatory and associated issues that they are asked to consider.

## BAU and Reset Specific Engagement

During 2025 the CPU businesses have maintained an active 'engagement' focus; some reset specific, to our understanding, while there has also been 'business as usual' engagement that has included surveying 'low voltage' complaints and regional and rural perspectives. The BAU engagement processes have been utilised to include reset specific questions.

We observe that this utilisation of BAU engagement also means that structures and intent are already in place to consider topics relevant to the development of the 2031-36 regulatory proposals.

For CCP32, this move to decoupling engagement from being specific to resets and more orientated to BAU engagement is appropriate and constructive.

## Engagement approaches

The engagement activities listed above are fairly standard: interviews, surveys, focus groups and workshops / webinars. We comment specifically on the use of a Willingness to Pay methodology, in particular to test willingness of CitiPower customers to contribute the proposed Customer Assistance Package (as part of the broader Vulnerability Strategy).

## Qualitative and Quantitative

We have observed a desire by the CPU businesses to utilise methodologies that provide qualitative results rather than just relying on quantitative approaches, like surveys, that can tend to give general / aggregated results but miss the range of consumer views. Often it is the diversity of views that is most useful to businesses and for the regulator.

## Visibility of Engagement

The main dilemma with the CPU business's engagement approach for CCP32 has been the lack of visibility of the engagement activities, outside of the CPU businesses, so we cannot definitively say to the AER that the engagement results reported by the businesses from the various engagement activities are accurately reflected and any diversity of opinions carefully considered. We are unable to comment on any nuance in engagement activities that we may have observed, if we'd had the ability to observe engagement.

We are aware that the CAP continues to play an important continuity role with CPU engagement as well as other roles listed elsewhere, but we cannot be certain that even CAP members are aware of engagement activities, before they are conducted and so may not be involved with engagement process design. We will look to the CAP's response to the Revised Proposal for any insight on the extent to which they have had full visibility of engagement activities.

This lack of external visibility of engagement has been challenging for CCP32 in not being able to fully reflect the range of engagement activities and outcomes and the value that they have afforded.

## Results

The challenges of limited ability to observe CPU business engagement, notwithstanding, we consider that there is a good probability that:

- The engagement undertaken has been genuine, well planned and informed
- The CPU staff have been diligent, hardworking and honest in their engagement approaches
- Engagement activities have been well documented and advice given heeded.
- The Principles based approach is appropriate.
- Senior Management has clearly heard the message about keeping costs low, with the CAP seeking to nuance a 'low costs at all costs' (our phrasing) to one with a focus on the "value that customers are seeking."
- The 'proof' of application of the principles, particularly cost effectiveness, are evidenced by the continuing lower distribution costs per customer for CPU businesses<sup>2</sup>, compared to other DNSP's along with the preparedness of the CPU businesses to accept a number of lower cost allocations given in the Draft Decisions. We cannot be sure whether customers agree that application of the principles has delivered an outcome which aligns with their perspectives and which they can support. A report from the CAP in response to the Revised Proposal may add some clarity on this question.

## 4. Key topics from the AER Draft Decision and Revised Revenue Proposal

In this section we consider key topics identified in the Draft Decision, summarising Draft Decision observations, focussed engagement, Revised Proposal responses and CCP32 observations for each topic.

### 4.1 Key topic: Corporate Income Tax / Connections Contributions

#### 4.1.1 What the AER said in the DD

The AER has summarised their Draft Decision on this topic to CCP32 saying:

*Proposals from Victorian DNSPs have brought into focus the impact that the tax treatment of large customer capital contributions, paid in respect of new, large customer connections, has on the revenue recovered from all consumers. We have identified a potential alternative approach drawing on our determinations for the current period. This relates to the DNSPs' proposals that net tax liability arising from capital contribution from large, embedded generators be included in connection charges payable by the generator itself. This approach was proposed to reduce the cross-subsidy paid by the wider consumer base to large, embedded generator connections, and to reduce exposure to forecasting risk associated with these connections. Our draft decisions encourage Victorian DNSPs to consider the possibility of extending of this model to other large connecting customers (e.g. data centres) in their revised proposals." (Page 23 Draft Decision)*

CCP32 has been asked for comments on three related questions:

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<sup>2</sup> Refer AER network benchmarking report:

<https://www.aer.gov.au/industry/registers/resources/reviews/annual-benchmarking-reports-2025>

1. Engagement undertaken on this topic;
2. The level of an appropriate threshold above which the treatment of tax should apply;
3. Whether the tax should be applied to all large customers above the given threshold or just Data centres?

#### 4.1.2 Relevant Engagement

CCP32 did not observe any engagement on these taxation specific topics during 2025. The CPU businesses have raised this question in their BAU discussions with C&I customers, and with data centres directly. The topic was discussed at the July CAP meeting and listed as an IAP2 “consult level” topic.

In their Revised Proposal CitiPower says that it engaged directly with the CAP, DEECA, EUAA and ECA on this corporate income tax question and there was general support for (or at least not opposition to) the position presented in the Revised Proposal.

#### 4.1.3 What was proposed in the RRP

CitiPower has responded to the AER’s Draft Decision saying:

*“In summary we have amended the AER’s version of our connection policy to include a new provision for the collection of the tax liability associated with customer contributions from all large customers connecting to the high voltage or sub-transmission network.” (Page 47 Revised Proposal)*

#### 4.1.4 CCP32 observations/advice

CCP32 think that complex questions like this should first be considered by application of principles. We suggest that appropriate principles in this case include:

- Are there relevant rulings or judgements by the relevant authority, in this instance the Australian Taxation Office.
- Causer pays.
- What is fair? In particular is there a risk that lower income and vulnerable households, farmers and other small businesses could end up cross subsidising larger businesses?
- All entities, people or companies should pay a fair taxation contribution.
- Simplicity in understanding and in implementation, including being ‘efficient’ in that the cost of collecting the tax is small compared to the amount of tax collected.

The “Causer Pays” principle is a fair succinct summary of these principles and was generally supported by the direct engagement undertaken by CPU businesses, although not necessarily with these words.

CCP32 considers the approach taken by the CPU businesses is reasonable whereby the connection voltage is used as the threshold with HV and sub-transmission customers “liable for their own tax costs,” and LV connected customers are not.

This exercise was a good example of where the involvement of a group of well-informed customers and other stakeholders in the decision-making process directly resulted in an outcome which is in the long-term interests of consumers.

Regarding the AER's question "Whether the tax should be applied to all large customers above the given threshold or just data centres?" Our understanding is that the tax should be applied to all businesses above the connection voltage threshold, irrespective of whether the business is a data centre. We consider this to be a fair approach.

## 4.2 Key topic: Capex

### 4.2.1 What the AER said in the DD

The Draft Decision reduces total capex proposed in the initial proposal by \$334.1m which is 27.5% less than what was proposed, while being greater than the current period allowance. Major reductions were for repex (reduction by \$157.5m – 44.8% reduction) and augmentation (reduction by \$181.6m – 38.4%). In general, apart from the small number of large reductions, there was support for much of what was proposed by CitiPower.

The significant increases in proposed capex were consistent with substantial capex increases being sought recently by network businesses throughout the NEM, driven by many of the same issues: resilience, CER enablement and uncertainty in a rapidly changing and transitioning market.

Much of the focus on capex considerations arising from the Draft Decision relate to augex and repex, with the major reductions, and hence engagement focus being:

#### Augex

- Customer Driven Electrification: \$40.9m to \$4.8m in the DD

#### Repex

- Distribution switchgears: \$54.6m to \$21.3m in the DD
- Substation transformers: \$31m to \$10m in the DD
- Substation switchgears: \$79.1m to \$20.3m in the DD

The Draft Decision says:

*"Our largest reductions have been in CitiPower's forecast for its high value, low volume assets (substation switchgears and substation transformer programs) which are the main drivers of CitiPower's 70.5% repex forecast step up.*

*We have concerns with the reasonableness of inputs and assumptions in its economic analysis. Once adjustments are made, we found that the optimal option in several cases is to defer beyond 2026–31. We also found that CitiPower did not explore lower cost effective options, such as refurbishment, choosing to propose the more expensive option." (Page 16, Attachment 2)*

For distribution switchgear, AER found that CitiPower's costs were overestimated for the defective switches and RMU (ring main unit) programs

### 4.2.2 Relevant Engagement

Where engagement had informed the capex projects proposed by CitiPower, the AER accepted the reported consumer perspectives but did not regard some projects to be prudent or efficient, so the onus is on the business, in the Revised Proposal to demonstrate prudence and efficiency of proposed capex projects.

Part of CitiPower's 2025 engagement, along with Powercor and United Energy businesses had a focus on 'customer driven electrification', with a strong focus on under voltage issues, with CitiPower saying that this was in direct response to the Draft Decision. The engagement was achieved through an undervoltage impact survey, mainly with household customers across the CPU businesses. A total of 85 customers were surveyed who had complained about impacts of under-voltage supply.

There was some general engagement with the CAP on repex / augex spending levels, while we did not observe engagement on specifics like switchgear and transformer costs – nor would we expect to.

#### 4.2.3 What was proposed in the RRP

CitiPower has proposed a higher revised capex allowance of \$1090.9m compared to \$882.2m in the Draft Decision and \$1216.3m in the initial proposal. Augmentation sought is higher than the original proposal and repex is 36% higher than the Draft Decision and still lower than the original proposal. Apart from these two capex categories, other revised proposal expenditures are the same as or similar to the Draft Decision for other capex categories.

The more significant variations in the Revised Proposal include:

##### Augex

- Customer Driven Electrification: \$39.4m to \$4.7m in the DD with \$43.2m in the Revised Proposal
- High Voltage feeder upgrades: \$8.9m and also \$8.9m in the DD with \$20.6m in the Revised Proposal
- CBD security of supply: \$19.1m and also \$19.1m in the DD with \$43.2m in the Revised Proposal

*Note that there is some minor variation between the CitiPower published Revised Proposal and Draft Decision figures, but we have not regarded the differences as material*

The main capex variations are now summarised.

##### Customer driven Electrification

A significant part of the methodology debate for ascertaining consumer preferences has been about how the Value of Customers Reliability (VCR) has been applied by CitiPower, in their Revised Proposal

CitiPower says:

*"As more homes, businesses and transport electrify, we expect these trends (of service disruption for customer) to continue. This will be particularly challenging for our customers, who live in poorly insulated houses in the coldest climates across mainland Australia and further for customers with malfunctioning space heating (which is expected to be a predominant driver of increasing undervoltage complaints through the 2026–31 regulatory period)." (page 31 Revised Proposal)*

CitiPower have resubmitted their original expenditure proposal, with modest increases, on the basis that customers are expecting action on undervoltage and associated issues with electrification of energy sectors and the increase in consumer generated electricity. They also argue that customers value a reliability of supply to a greater extent than AER proposes.

## HV feeder upgrades

CitiPower says

*“Several HV feeders across our network are expected to require augmentation in the 2026–31 regulatory period to maintain reliable electricity supply to customers. These works are driven by localised load growth leading to specific feeders exceeding their thermal rating (which places asset operation at risk).” (Page 35 Revised Proposal)*

## CBD Security of supply

The reason for the significant increase from both the original proposal and Draft Decision is the addition of rebuilding J zone substation due to greater than initial forecast increased demand with CitiPower saying:

*“We have since updated our demand forecasts, with growth in Melbourne’s CBD increasing further from our regulatory proposal. Given the increases in our demand forecasts and the AER’s recognition in its draft decision of the project need, we have now included the commencement of the rebuild of the J zone substation within our revised expenditure forecast. Specifically, our revised proposal includes the first two years of construction, with the complexity of rebuilding a CBD zone substation forecast to take four years for completion. (pages 36-37 revised Proposal)*

Repex

- Distribution switchgears: \$54.6m to \$21.3m in the DD with \$20.2m proposed in the Revised Proposal
- Substation transformers: \$31m to \$10m in the DD, with \$20m proposed in the Revised Proposal
- Substation switchgear: \$79.1m to \$20.3m in the DD, with \$58.9m proposed in the Revised Proposal

Each of these increases compared to the Draft Decision is proposed on the basis of the revision of projects and internal exploration of potential savings compared to the original proposal.

There was not consumer engagement on the detail of the repex increases, as is appropriate.

### 4.2.4 CCP32 observations/advice

Many of the Draft Decision cost allocations were accepted by CitiPower with only a small number of projects or expenditure area costs increased in the Revised Proposal. These were also more substantial projects.

Where capex projects were rejected, it was not for lack of consumer engagement but because more information was needed to demonstrate that the proposed implementation of consumer supported projects is prudent and efficient.

Specific engagement was undertaken on key aspects of the proposed augex program during 2025, in particular the “customer driven augmentation” augex expenditure. The new evidence cited to support this expenditure is from a survey of customers complaining about low voltage disruptions to their supply. This specific survey was of 85 customers across the three CPU businesses. CCP32 understands that a majority of those surveyed were United Energy and Powercor customers rather than CitiPower customers. It is difficult to ascertain the level of concern with undervoltage issues for

CitiPower customers based on numbers reported in the survey noting that it has been presented as a significant issue for Powercor and United Energy.

We also note the significant debate between the AER and CitiPower about the application of the Value of Customer Reliability, VCR. CCP32 opines that this is an important topic that would benefit from a wider discussion, including with strong consumer input from a diversity of consumer perspectives

### 4.3 Key topic: Opex Step changes

#### 4.3.1 What the AER said in the DD

The AER “alternative estimate” for opex was 13% (\$129m) lower than what was proposed by CitiPower while being 10.5% higher than actual and estimated opex for the current 2021-26 period.

#### Key step change decisions being

Proposed Step Change	CitiPower proposal (\$m)	Reduction in the DD (\$m)	% reduction
Vegetation Management	\$33.6	\$24.9	74%
CER integration	\$12.3	\$2.9	23.5%
Cloud services	\$11.2	\$10.0	89%
<i>Category specific forecast</i>			
Customer Assistance package	\$6.8	\$6.8	100%

In the comments below we consider Vegetation Management and Customer Assistance Packages as these were the step changes for which there was the most engagement. Engagement on resilience is discussed separately.

The reductions for other step changes were similar across the CPU businesses and basically focussed on prudence and efficiency of the proposals, which the AER (and EMCa) did not consider were adequately justified.

CCP32 notes the comprehensive review of step changes undertaken by EMCa and general AER support for their findings.

For vegetation management, the finding is summarised by:

*“CitiPower proposed a \$33.6 million step change (5.7% of forecast opex) for increased vegetation management costs. We have included a step change of \$8.7 million for vegetation management in our alternative estimate of total opex. We consider CitiPower’s total base opex, and the rate of change, do not provide sufficient opex for CitiPower to comply with its electric line clearance obligations in the 2026–31 period. However, we consider CitiPower’s proposed amount for this step change is not justified on the available information.” (Page 21, attachment 3)*

The importance of vegetation management is clearly accepted, it’s the efficient implementation that is questioned in the Draft Decision.

A comprehensive review of the Customer Assistance Package has been undertaken as part of the EMCa review. The Draft Decision also notes CCP32’s response in identifying customer support for the program.



The Draft Decision is to regard this program as a “category specific forecast” rather than a step change and to reduce the proposed program cost by 41% as aspects of it were considered to be neither prudent nor efficient.

#### 4.3.2 Relevant Engagement

The CPU businesses engaged significantly on the Customer Assistance Package during 2025, through the targeted willingness to pay process (as one of two specific hypotheses that were tested) and CAP meetings – where it was a continuing agenda item throughout the year.

The other step changes were also discussed with the CAP and all had been topics of engagement prior to lodging the original regulatory proposal

#### 4.3.3 What was proposed in the RRP

The Revised Proposal bids for the various step changes are summarised below

	<b>CitiPower proposal (\$m)</b>	<b>Reduction in the DD (\$m)</b>	<b>% reduction</b>	<b>Revised Proposal (\$m)</b>
Vegetation Management	\$33.6	\$24.9	74%	\$14.7
CER integration	\$12.3	\$2.9	23.5%	\$12.2
Cloud services	\$11.2	\$10.0	89%	\$10.9
<i>Category Specific forecast</i>				
Customer Assistance package	\$6.8	\$6.8	100%	\$4m

The major variations from the Draft Decision being for Vegetation Management and CER Integration

For Vegetation Management, CitiPower has proposed a compromise on its original bid, saying

*“We have carefully considered the AER’s draft decision and made significant updates to our forecasts. These updates include incorporating additional data (now available) from CY24 and CY25, which reflect the achievement of material efficiencies through the maturation our program over the past two years. We have also accepted areas where the AER considered the ‘trend’ component of its forecast methodology would provide sufficient funding.*

***As a result, our revised step change has materially reduced from our original proposal.***

*We also note that our recent years of cutting volumes, as identified by LiDAR, reflect comparatively benign weather conditions, with abnormally low rainfall (e.g. rainfall in CY24 was in the lowest 10 per cent of all years since 1900). To the extent that actual weather in the 2026–31 regulatory period varies from recent weather patterns, we will bear the risk of any outworkings on our actual vegetation management activities and associated costs incurred.” (pages 54 Revised Proposal) [Bold is CCP32 emphasis]*

CitiPower has rejected the AER’s reduction in allocation for CER integration and has argued that the “cloud services” reduction was unrealistic since SaaS and ERP costs could not be absorbed into “base” and “trend” allocations. CitiPower highlights that they have *“prudently deferred the replacement of our ERP system.”*

The Customer Assistance Package has been re-included, at a lower level (\$4m) than the original proposal of \$6.8m summarised by the following table from page 3 of the Revise Proposal attachment 4.02 – Customer assistance package)

**TABLE 1      REVISED PROPOSAL: CUSTOMER ASSISTANCE PACKAGE (\$M, 2026)**

CATEGORY	REGULATORY PROPOSAL	AER DRAFT DECISION	REVISED PROPOSAL
Energy care	0.7	0.2	0.2
Community Energy Fund	1.6	-	-
Vulnerable Customer Assistance Package	2.0	2.0	2.0
Energy Advisory Service	0.7	-	-
First Peoples Program	1.9	1.9	1.9
<b>TOTAL</b>	<b>6.8</b>	<b>4.0</b>	<b>4.0</b>

#### 4.3.4 CCP32 observations/advice

While there is a range of aspects to the opex Draft Decision, including base year and trend considerations, we have focused on step changes as this is both where the greatest impacts of the Draft Decision opex reductions are found and are the opex topics most likely the focus of any engagement.

Regarding the Community Assistance Package, we note that CitiPower has accepted the Draft Decision allocation for the program while transferring their proposed “Community Energy Fund” from this category specific forecast to being proposed as part of their revised Innovation Allowance. Community support for the program has remained strong during 2025 engagement. We opine that it is a small amount of money that has the capacity to assist some of the people most adversely impacted by ever rising electricity costs.

CitiPower has accepted many of the elements of the Draft Decision with the main changes increased materially from the Draft Decision being “vegetation management” and “cloud services”. Both are ongoing activities and widely considered across the three CPU businesses. The Businesses are saying that requirements and expectations in both areas require greater spending that is available through existing, base year, budgets combined with “trend” adjustments. We observe that CitiPower has applied internal scrutiny to these topics, applying their “principles based approach” and that the Revised Proposal amounts are materially lower than proposed in their original proposal.

The indication to us that CitiPower has sought to find the balance between consumer support for projects and delivering them at an efficient level.

## 4.4 Key topic: TSS

### 4.4.1 What the AER said in the DD

The Draft Decision includes

*“Our draft decision is to not approve CPU’s proposed 2026–31 tariff structure statements. While we are satisfied many elements of the proposed tariff structure statements comply with the pricing principles and contribute to the achievement of the network pricing objective (NPO), we are not satisfied all elements comply with the pricing principles for direct control services in the NER and other requirements of the NER, or contribute to achieving the NEO (page 8, Draft Decision Attachment 13 TSS)*

The following elements were amongst those not approved

- LRMC methodology
- Network bill impact analysis for residential and small businesses customers
- Proposed changes to the small business fixed charge recovery rate
- Lack of justification of proposed basic export level of 1 kWh/day
- Level of information provided re flexible load connections.

### 4.4.2 Relevant Engagement

The CPU businesses state that they engaged with 19 informed stakeholders, including retailers and charging infrastructure providers, to formulate their kerbside EV tariff that will be trialled in the first year of the new regulatory period, this being an area of emerging tariff policy.

The TSS explanatory statement outlines a list of engagement activities undertaken to inform the 2026-31 TSS (page 16), but it is not clear which of this engagement occurred during 2025 and in response to the Draft Decision. We understand that tariffs was an ongoing discussion with the CAP, including during 2025, while there was shared work with other DNSPs in Victoria about tariffs earlier in the development of regulatory proposals.

CitiPower says that what they heard from engagement on tariffs was:

*“The key themes emerging from our stakeholder engagement indicate that network tariff design involves a trade-off between potentially competing objectives—maintaining simplicity and stability, versus adapting tariffs for the energy transition. Another theme was a desire for more information and education.”*

### 4.4.3 What was proposed in the RRP

In the TSS Compliance document, CitiPower says

*“For the 2026–31 regulatory period, we will continue to reduce the residential and small business time of use (ToU) network tariffs by an additional one per cent per year relative to the single-rate network tariff, for the average customer consumption profile. By 2030–31, the residential and small business ToU network tariff will, on average, be priced ten per cent lower than the single-rate network tariff.*

*Over the 2026-31 regulatory period, we will progressively increase the proportion of network revenue recovered by small businesses through the fixed daily supply charge so that by the 2030-31 roughly 30% of network revenue will be recovered through the fixed daily supply charge.” (TSS Compliance document page10)*

Page 7 of the TSS Explanatory Statement lists a set of “Draft Decision considerations” and provides CitiPower responses. We note the following three considerations and CitiPower responses:

Regarding perceived lack of customer response to time-of-use tariffs, CitiPower says:

*“If this is correct, then it does not change the fact that there is negligible observed response to network time-of-use price signals.”*

The Draft Decision urges CitiPower to “Have a more ambitious transition path that is still consistent with Victorian Government’s requirements.” They respond with:

*“This has already been fully explored and the current proposal to assign new connections, new solar customers, multi-phase upgrades and fast EV chargers to time-of-use tariffs is the best we can achieve.”*

The Draft Decision also encourages “Considering a tariff or trial tariff that sends price signals for small customers (charges and/or rewards) with flexible load to respond to critical peak events.” CitiPower responds with:

*“Our Revised Proposal proposes an innovation project for us to trial dynamic pricing.”*

Given the views of the Victorian Government, introduction of cost reflective tariffs is certainly more challenging for Victorian businesses than in other jurisdictions. Cost reflective tariffs will continue to be offered on an ‘opt in’ basis for the majority of CitiPower small customers in the 2026-31 period.

#### 4.4.4 CCP32 observations/advice

CCP32 observes the CPU businesses, including CitiPower as taking a fairly ‘softly softly’ approach to tariffs. They need to comply with Victorian Government requirements and be responsive to customer wariness on tariff changes. We are supportive of the types of tariff trials that the CAP is encouraging.

The AER has also asked CCP32 “whether CitiPower undertook any targeted engagement with business customers who would be impacted by the introduction of 2 medium business tariffs. We understand that the engagement undertaken on network tariffs was joint, across the three CPU businesses as they have in place the same tariff structures for customers across all three networks.

Tariffs were discussed with the CAP and were part of BAU bi-lateral discussions with some medium sized businesses.

Developing tariffs that provide signals to both retailers and end customers about efficient use of electricity networks, consider the changing electricity market dynamics associated with the transition to net zero and have acceptability from consumers with low trust in the electricity market after two decades of electricity prices rising faster than CPI is extremely challenging. Appropriate and acceptable tariffs require ‘deft hands’ simultaneously from government policy, businesses and market bodies. The CPU business TSS approaches are not unreasonable in this context.

CCP32 notes that all five Victorian businesses proposed tariff information campaigns in the next regulatory period, some of which were intended to be funded through opex step changes none of which have been accepted in the Draft Decisions. We suggest that a joint campaign in conjunction with retailers and the Victorian Government could be a more cost-effective option for a broad state-wide information campaign.

## 4.5 Key topic: Public Lighting

### 4.5.1 What the AER said in the DD

The Draft Decision said:

*“Our draft decision is to not accept CitiPower’s public lighting proposal, although we consider it is largely reasonable. For the draft decision we have made several updates to the public lighting model inputs, including to decrease certain hourly rate inputs and for more mechanical changes related to updated inflation and labour escalators inputs. This results in prices for 2026–27 that are approximately 1.1% lower when compared to CitiPower’s proposal for most light types.” (Page 34 Draft Decision)*

and

*“We also encourage CitiPower to consult further with its stakeholders to inform its Revised Proposal. This consultation should include matters such as an accelerated LED rollout, smart lighting services and funding options for this rollout” (page 32 Draft Decision)*

### 4.5.2 Relevant Engagement

The Draft Decision asked the CPU businesses to engage further, largely in response to issues raised in a submission from the Victorian Greenhouse Alliance. As a result a webinar was conducted in August 2025 with 134 stakeholders invited and 25 participating. A follow up survey was also conducted. Topics covered included accelerating the LED replacement program, a separate tariff for “Category P LED lamps” and savings for major road lights being transitioned to LED “through smart lighting.”

### 4.5.3 What was proposed in the RRP

CitiPower has revised its public lighting proposal in the Revised Proposal with main changes being:

- *“Included an accelerated replacement of non-LED lights over the next regulatory period, with incremental costs recovered from replacement lights over the remainder of the regulatory period. In our consultation we demonstrated that the additional charge for an accelerated replacement light would be roughly offset by the lower operation, maintenance, repair and replacement (OM&R) charge for the LED light and the energy savings from the replacement LED light*
- *Included infill replacement of PE cells with smart PE cells on all major road lights by the end of the regulatory period*
- *Included a separate charge for non-standard LED lamps (corncobs).” (page 64 Revised Proposal)*

### 4.5.4 CCP32 observations/advice

The Draft Decision identified a clear focus for engagement, based on responses to the Issues Paper and CitiPower has responded with a targeted engagement program with relevant stakeholders. It appears to CCP32 that CitiPower has responded positively to the advice received from engagement.

We note that 25 of 134 invitees responded to the invitation to participate in the webinar, suggesting to us that the groups for whom public lighting is an important issue have responded and been part of discussions, others with less direct interest have not participated in the process.

## 4.6 Key topic: Innovation Allowance

### 4.6.1 What the AER said in the DD

AER said:

*“We recognise the importance of innovation investment in supporting the energy transition and protecting consumers. There is a need for trials and pilots to test and explore new ideas, concepts and technology before committing to implementation of solutions and rolling these into business-as-usual activities. We also recognise CitiPower’s consumer engagement on innovation-related expenditure. However, we have not accepted CitiPower’s forecast in full. We have accepted the forecast for some projects as we found that these projects align with the criteria for ex-ante innovative projects. However, we found that many projects did not satisfy the ex-ante innovation criteria; especially the criteria that the project be innovative.” (page 21 Draft Decision)*

### 4.6.2 Relevant Engagement

The Innovation Allowance was discussed at the July 2025 CAP meeting with a focus on the Governance Approach. Engagement was at IAP2 level “Involve” with some discussion also about how the fund could be enhanced.

### 4.6.3 What was proposed in the RRP

The original proposal for an innovation allowance was for \$15m, reduced to \$3.7m in the Draft Decision with the Revised Proposal being for \$9.4m.

CitiPower says that in response to the Draft Decision they have:

- *“provided additional information on each of our proposed initiatives and how they meet the AER’s innovation criteria and expenditure objectives*
- *expanded our forecast initiatives for the full five-year regulatory period*
- *provided a complete governance framework, developed in collaboration with the Customer Advisory Panel (CAP), to ensure transparency and prioritisation of customer benefits.” (page 2, Revised Proposal Innovation Allowance attachment)*

As noted on page 20, the Innovation Allowance list of proposed projects includes transferring the Community Energy Fund from the Community Assistance Package to the Innovation Allowance, with a capex component of \$1.2m and opex of \$1.8m making a project total of \$3m

### 4.6.4 CCP32 observations/advice

The CPU businesses have given good levels of engagement attention to the Innovation Fund Allowance during 2025 and have provided a clear focus on governance with an openness to apply advice provided from their CAP.

We note the proposed transfer of the Community Energy Fund to the Innovation Allowance and consider this it be a good idea since it recognises that innovation can be social innovation and community / consumer based. Innovation is not just about engineering and mathematical formulas, as important as technical innovation is, as part of a broader suite of innovation.

We note that the Draft Decision approved application of the Demand Management Innovation Allowance Mechanism (DMIAM), meaning that there is also opportunity for demand management specific innovation.

Our observation is that CitiPower has taken advice from their engagement and applied it appropriately in their Revised Proposal. The appetite for innovation opportunities remains solid with the CAP.

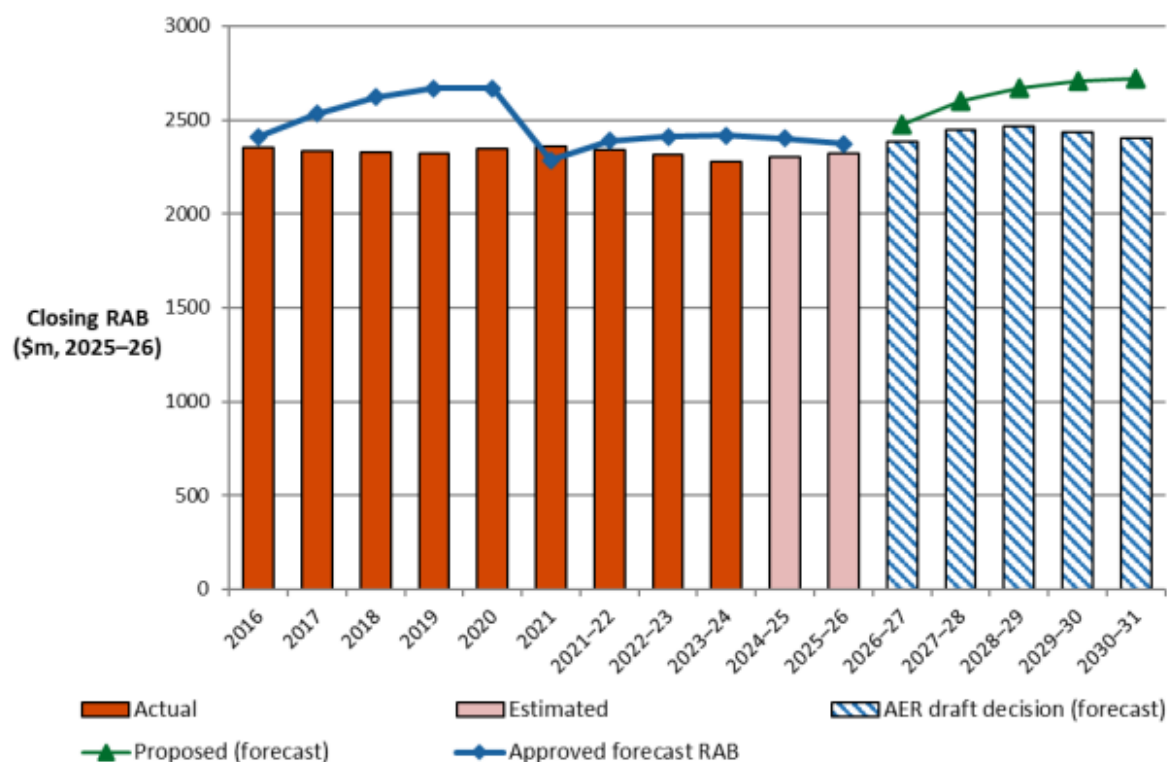
## 4.7 Key topic: RAB

### 4.7.1 What the AER said in the DD

The AER said:

*“CitiPower’s RAB has increased in real terms over the 2021–26 period. In the later years of that period CitiPower’s capex has, and is expected to continue to, exceed the forecast approved in our last determination. This means that its opening RAB at the start of the 2026–31 period is higher than contemplated in our last decision. However, the RAB is projected to decline in the 2026–31 period, reflecting our draft decision to reduce CitiPower’s proposed forecast capex.” (Page 3 Draft Decision)*

**Figure 3 CitiPower’s RAB value over time (\$ million, 2025–26)**



The Draft Decision also says:

*“CitiPower’s RAB per MWh is forecast to decline significantly over 2026–31 compared to the final year of the 2021–26 period.” (page 4 Draft Decision)*

### 4.7.2 Relevant Engagement

There was no ‘direct’ engagement on RAB implications of the Revised Proposal during 2025. Rather, it was implicit in capex considerations, see above.



#### 4.7.3 What was proposed in the RRP

CitiPower has

*“... accepted the AER’s draft decision asset classes and asset lives, with forecast regulatory depreciation also calculated in accordance with the draft decision but updated for FY25 actuals.” (Revised Proposal page 17)*

#### 4.7.4 CCP32 observations/advice

CitiPower has responded to the Draft Decision in application of the “roll forward model.”

RAB impacts of revenue proposals continue to be of high importance for current and particularly future consumers. Maintaining intergenerational equity is important for CCP and, by our understanding of the CAP, important to them too. The significantly declining RAB per unit of energy consumption is a good outcome for the 2026-31 regulatory period, relying on increased electricity throughput for this decline.

If actual demand is lower than forecast, then close attention will need to be given to RAB implications and the rising WACC that consumers pay. We suggest that this is a question that should receive some attention for the 2031-36 regulatory period.

## 5. Generic Topics

### 5.1 CSIS/STPIS

#### 5.1.1 What the AER said in the DD

All five Victorian distribution network service providers (DNSPs) proposed application of a Customer Service Incentive Scheme (CSIS) in their Regulatory Proposals. For Jemena, this was the first time a CSIS had been proposed, however the other businesses proposed to continue with schemes similar to those which were approved for the current regulatory period.

The AER Draft Decisions did not accept any of the DNSP’s CSIS proposals and instead applied the customer service (telephone answering and new connections) parameters of the STPIS Version 2.0.<sup>3</sup> The Draft Decisions include a claim that customers are willing to pay for the improved services relating to new connections<sup>4</sup>.

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<sup>3</sup> <https://www.aer.gov.au/documents/aer-attachment-9-customer-service-incentive-scheme-draft-decision-ausnet-services-distribution-determination-2026-31-september-2025>, p. 1; <https://www.aer.gov.au/documents/aer-attachment-9-customer-service-incentive-scheme-draft-decision-jemena-distribution-determination-2026-31-september-2025>, p. 1; <https://www.aer.gov.au/documents/aer-attachment-9-customer-service-incentive-scheme-draft-decision-CitiPower-distribution-determination-2026-31-september-2025>, p. 1; <https://www.aer.gov.au/documents/aer-attachment-9-customer-service-incentive-scheme-draft-decision-united-energy-distribution-determination-2026-31-september-2025>, p.1; <https://www.aer.gov.au/documents/aer-attachment-9-customer-service-incentive-scheme-draft-decision-Powercor-distribution-determination-2026-31-september-2025>, p.1

<sup>4</sup> For example, <https://www.aer.gov.au/documents/aer-attachment-9-customer-service-incentive-scheme-draft-decision-ausnet-services-distribution-determination-2026-31-september-2025>, p. 6



The reasons for non-acceptance of the proposals varied between the businesses as follows:

#### **AusNet Services**

- the lack of baseline data and targets
- the proposal to apply a +/-1% revenue at risk, and
- the potential risk of interrelationship with the STPIS.

The Draft Decision also required AusNet services to engage widely on its 2026- 31 CSIS performance targets at the Revised Proposal stage, to ensure that targets were sufficiently challenging and reflected the value customers placed on the different parameters.

#### **Jemena**

- insufficient evidence that customers strongly support the adoption of the scheme or attribute value to the service improvements proposed, and
- Jemena's limited application of its expert panel's feedback on additional CSIS parameters.

#### **CitiPower, Powercor and United Energy**

- inadequate consultation on scheme design
- merging performance targets for general and fault calls within the grade service parameter into a single target which does not incentivise genuine improvement, and
- targets which do not incentivise genuine improvement or be commensurate with service improvements or degradations.

The Draft Decisions also included the following statements:

*After 5 years of scheme operation, we have observed that performance parameters proposed by DNSPs across different geographic areas are coalescing around similar parameters, trending towards those utilised in existing approved schemes. We have also observed that DNSPs have proposed only modest changes to their CSIS parameters from the previous regulatory period, and that the development of these parameters has been informed by limited customer engagement, resulting in concerns that DNSPs may not be investing heavily in customer co-design and that proposals therefore may not genuinely reflect customer preferences. Recently, CSIS proposals have tended to lack completeness and have been limited in scope and stakeholders and consumer groups have raised questions as to whether DNSPs performance targets are appropriately challenging*

.....

*The recent scheme history, the limited nature of the Victorian CSIS proposals, and the need to continually review the effectiveness and costs of the regulatory systems that we oversee have led us to consider the potential benefits of streamlining customer service incentives, penalties and reporting under the STPIS. We consider that as customer service incentive schemes are becoming increasingly homogenised, static, and informed by diminished customer engagement, formalising customer service incentive parameters under the STPIS could be a better outcome for consumers. As a result, distributors could be incentivised to deliver better quality customer service performance at a lower cost and reduced administrative burden. Unifying customer*

*service incentives and penalties under the STPIS may also lead to more stable data collection process and avoid the scheme integrity issues that have been impacted the CSIS.*<sup>5</sup>

#### 5.1.2 Relevant Engagement

Each of the businesses engaged with their expert panels on the Draft Decision and potential response. None of the businesses engaged with end use customers following the Draft Decision.

#### 5.1.3 What was proposed in the RRP

With support from its expert panel, AusNet Services amended its proposal and suggested implementation arrangements to address concerns raised by the AER. AusNet has included the updated scheme in its Revised Regulatory Proposal. We are not aware of wider engagement on its 2026-31 CSIS performance targets as part of the Revised Regulatory Proposal.

Jemena, CitiPower, Powercor and United Energy assessed that there was insufficient time available between publication of the Draft Decision and lodgement of the Revised Revenue Proposal to meaningfully engage with end use customers to address the concerns raised by the AER. As a result, CitiPower, Powercor and United Energy have accepted the AER's Draft Decision not to apply a CSIS for the next regulatory period, while Jemena has re-proposed the scheme which was rejected in the Draft Decision to 'reflect the views of its customers'.

None of the DNSPs accepted the AER's introduction of the new connections parameter of the STPIS based on the fact that the STPIS parameter would not apply to the majority of new connections i.e. residential and small business connections, as the parameter only applies to SCS connections.

#### 5.1.4 CCP32 observations/advice

##### Timing of feedback

Design and implementation of a compliant CSIS scheme is a lengthy and complex undertaking, requiring significant and targeted engagement with end use customers. CCP32 agree with the businesses that the time between the Draft Decision and lodgement of the Revised Revenue Proposal is insufficient to design, conduct and assess a meaningful broad engagement program. We question whether it would have been possible for the AER to flag CSIS engagement concerns earlier with the businesses to afford them the opportunity to address perceived engagement deficiencies in parallel with the formal Draft Decision. We suggest that a 'check-in' process in mid 2025 may have highlighted these issues. The 'Structured Engagement Pathway' check-ins conducted in the latter half of 2024 based on the Better Resets Handbook do not address incentive schemes, so would not have helped in this situation.

An important message for businesses is that engagement on a CSIS must start early in the regulatory cycle. CCP32 observe that it is almost impossible for a business to conceive, co-design, engage on and validate a compliant CSIS in less than 12 months.

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<sup>5</sup> For example, <https://www.aer.gov.au/documents/aer-attachment-9-customer-service-incentive-scheme-draft-decision-ausnet-services-distribution-determination-2026-31-september-2025>, p. 5

### New Connections Parameter

When they substituted the STPIS new connections parameter for CSIS parameters in the Draft Decision, CCP32 do not believe that the AER intended that the measure be applied to large connections only. This restriction under the regulatory framework means performance against the new connections parameter would have little relevance for the vast majority of customers.

Further, we challenge the AER's justification supporting this substitution in the Draft Decisions that says 'customers are willing to pay for the improved services relating to new connections'. CCP32 questions the research or structured engagement that supports this statement, particularly given the AER's concerns about lack of engagement on customer service measures for several of the businesses. It is even more surprising if this statement implies that residential and small business customers are willing to pay for improved connection times for large customers.

CCP32 advise that the new connections parameter in its current form should be withdrawn.

### Future of the CSIS

Comments made in the AER Draft Decisions and reproduced in section 5.1 above call into question the future of the CSIS. The comments reflect a view that the CSIS may not be achieving its intended objectives, may not be cost-effective and that customers may be better served by extension of the long-standing STPIS to incorporate more customer service measures.

CCP32 recommend that the AER clarify its intentions with respect to the future of the CSIS so that businesses can tailor their business initiatives and engagement plans appropriately.

## 6. CCP32 Advice - Summary

We observe that much of the Draft Decision has been accepted by CitiPower and where they are proposing higher allocations than given in the Draft Decision, there has, in general, been a solid increase in the level of detail to justify the proposed expenditure.

Where consumer engagement is relevant to Revised Proposal expenditures, we observe that there is robust consumer support for projects, notwithstanding our lack of ability to observe engagement activities. The continuing question is whether the AER considers the repropoed projects that were deemed to be neither prudent nor efficient in the Draft Decision now meet these criteria as well as retaining consumer support.