
Customer Advisory Panel

Report on the AER's Draft Decision and Powercor's Revised Regulatory Proposal

2026-31

January 2026

Powercor / Citipower / United Energy Customer Advisory Panel submission to the Australian Energy Regulator (AER) on the AER's Draft Decision and Powercor's revised Regulatory Proposal 2026-31

Acknowledgment of Country

The CAP acknowledges and respects the Traditional Owners as the original custodians of the lands and waters where Powercor operates. We recognise First Peoples' unique rights as Traditional Owners and their deep spiritual connection to Country, and thank them for continuing to care for it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

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1 Background

1.1 The CAP and its role

The Powercor, CitiPower and United Energy Customer Advisory Panel (CAP) was established to provide focus, challenge and insight on customer issues and engagement to inform and influence strategic decisions and operational delivery across the three networks.

Current members are Philip Cullum (Chair), Hilary Newstead (Deputy Chair), Helen Bartley, Natalie Collard, Gavin Dufty and Dean Lombard. Brief biographies of current members are here: <https://engage.powercor.com.au/customer-advisory-panel-1>.

The CAP previously had a larger membership, who participated in much of the earlier engagement on the 2026-31 Regulatory Proposal. The CAP benefited from the work of Keicha Day, Emma Lucia, Lynda Osborne, Tennant Reed and Winnie Waudo. This submission captures the views of the CAP's current membership in relation to the AER's Draft Decision and the business' Revised Regulatory Proposal. This largely covers the period since the business lodged its Regulatory Proposal with the AER in March 2025, and the CAP prepared its associated report to the business in April 2025.

1.2 Context for this reset

Every reset period is important, but the next few years are a critical time in the energy transition, likely to be characterised by significant change. Electricity networks will be at the very heart of this.

The changing energy landscape comes with rapidly evolving consumer and community expectations. As a result, consumers rightly expect the energy industry to adapt to meet this changing context and similarly they expect the regulatory and policy making framework to be adaptive and responsive to their needs and preferences.

Additionally, with these dynamics it is vital that the AER is cognisant of consumer needs and preferences and incorporates these into its regulatory decision-making. We encourage the AER and its staff to be more actively engaged in the various network pricing reviews from their commencement through to the final determinations. The CAP believes that AER involvement with networks and consumers alike, along with other stakeholders, will enhance the overall electricity distribution pricing review process and ultimately improve outcomes for consumers. AER involvement will also lead to greater consumer trust and confidence in regulatory processes and decisions.

1.3 The AER's Draft Decision and Powercor's Revised Proposal

The CAP welcome and support important key aspects of the AER's Draft Decision, particularly the desire to keep costs for customers as low as possible. However, we are cognisant of the feedback from customers regarding their needs and priorities, particularly the importance to customers of having equitable access to a reliable energy supply and opportunities to participate in the energy transition. In several key areas, we have encouraged the business to develop robust, well-evidenced proposals that respond to these customer priorities. These should also be central to the AER's regulatory assessment of network proposals.

We commend the business on its broad and deep consumer engagement to determine customer needs, preferences and values in line with the AER's Better Resets Handbook expectations and for developing customer-centric proposals that respond to customer needs. Accordingly, the CAP expects the AER to

consider strongly expressed consumer needs and preferences as an integral part of the AER assessment of what is prudent and efficient rather than being a secondary consideration.

Sometimes delivering a better service for customers may require a more expansive view of the role of networks, one which reaches beyond the five years of a reset, for example supporting equitable access to energy for rural and regional Powercor customers and addressing other customer vulnerabilities. Accordingly, the CAP has encouraged the business to challenge the AER's Draft Decisions that curtail expenditure allocated to address inequities. We present our views in more detail below, along with other key aspects of the AER's Draft Decision and the business's Revised Proposal issues that materially impact customers.

Powercor's Revised Proposal includes two significant strategic documents of particular interest to the CAP, which help underpin and frame the network's detailed plans. These are the Distribution System Operator (DSO) Vision and the Customer Vulnerability Strategy.

In 2024, the CAP proposed to the business that it should develop a Vulnerability Strategy to focus its work in this area. We are delighted that the business has now finalised this document, which we understand is the first such strategy adopted by an energy network in Australia. The CAP has helped shape the strategy and reviewed various drafts in our meetings in 2024 and 2025.

The AER has also recognised the importance of issues around vulnerability since 2020, when it commissioned the Consumer Policy Research Centre to draw together lessons from Australia and particularly regulated markets overseas, and then in 2022 when it published '*Towards energy equity: A strategy for an inclusive energy market*'. The AER has until now focused on the role of retailers in relation to customer vulnerability, to the exclusion of networks. We hope that the new Strategy will help drive a broader appreciation of the critical role that energy networks like Powercor should play.

Given the timing towards the end of 2025, the CAP had limited opportunity to comment on the draft DSO Vision. We nevertheless welcome the direction of the Vision but consider that there is scope for greater ambition by the business, and we would like to see more customer and CAP involvement to help the business shape further iterations of the Vision.

2 Our assessment of the customer engagement

2.1 Background

In our Independent Report in April 2025 on Powercor's Regulatory Proposal, we commended the business for its genuine and sincere engagement with the CAP. We also expressed confidence that the business consistently welcomed our advice and challenge and has been responsive to our advice throughout the development of its proposal.

Our assessment in our 2025 report was based on a range of factors that we detailed in our earlier report, which in summary included:

- Sincere, open and genuine engagement
- A fit for purpose approach to its broader customer engagement and research, making appropriate use of a range of methods, with moves to build in-house capacity
- Developing and applying a structured, phased and evolving approach to its engagement to identify and establish solid evidence of customers' needs and priorities, explore issues in more depth and then test and validate its proposals
- Listening to customers to identify and develop themes to frame and manage the scope of engagement
- The structure and independence of the CAP to support meaningful input and challenge, and a constructive relationship with the regulatory team and others in the business
- Establishing and engaging directly with its First People's Advisory Council
- A regulatory proposal that responded to CAP concerns with the Draft Proposal, in particular improving the links between the proposal and customer preferences

Throughout 2025, the business continued to engage with the CAP and undertook some additional customer research, for example to test customers' willingness to pay, and to understand experiences arising from under-voltage issues. CAP members had an opportunity to contribute to survey design; and CAP-led suggestions for deeper customer engagement and research on current and future energy needs of rural and regional customers were adopted and implemented by the business. We commend the business for this work to further build its understanding of customer preferences and issues.

2.2 CAP view on the AER's Draft Decision

The Better Resets Handbook outlines the AER's expectations for consumer engagement and makes it clear that proposals that reflect consumer needs and preferences and meet regulatory expectations on building blocks including capital expenditure (capex), operational expenditure (opex), depreciation, and tariff structures are more likely to be accepted.

In its Draft Decision, the AER noted that the CAP commended the business for its sincere, extensive and sustained consumer and stakeholder engagement on key issues which involved a range of consumer groups and other stakeholders.¹

We welcome the business's efforts to engage broadly and deeply with consumers and other stakeholders in line with the AER's the *Better Resets Handbook* expectations. But the CAP is concerned about how the AER values the outcomes of good consumer engagement, and how this links to the AER's cost benefit analysis.

For example, Powercor customers, including small and large energy users, strongly support equitable access to electricity and equitable opportunities to participate in the energy transition. Powercor responded by proposing capex to improve regional and rural reliability on its worst served feeders.

¹ AER, Draft decision Powercor Electricity distribution determination, Overview, September 2025, p. 8

However, the AER assessed these projects as prudent but not efficient in its Draft Decision suggesting Powercor has overestimated the benefit, despite strong support from consumers.²

The AER notes in its Draft Decision in relation to regional reliability:³

“We acknowledge the engagement Powercor has undertaken with its rural stakeholders in developing its regional and rural reliability and worst served feeder augex projects. Although this project was broadly supported by Powercor’s stakeholders, community support is not the sole factor in determining whether a project is prudent and efficient. The driver of these projects is to improve reliability. However, in the absence of a regulatory obligation, we must assess the cost and benefits of these projects. In many cases Powercor has overestimated the benefits of these projects which results in negative net benefits for these projects. We note that where the NPV of these projects are marginally positive after accounting for the overstated benefits, we have included that capex in our alternative estimate where ordinarily in the absence of community support, would not be considered prudent and efficient.”

We are concerned about the value placed by the AER on consumer engagement in this instance. Does this mean that a network should engage with consumers on only NPV positive projects? We recommend that AER provide more explicit guidance in their Final Decision on how networks and consumers should engage (or not engage) to follow the Better Resets Handbook.

As mentioned earlier in this submission, we also encourage more active participation in the future from the AER in when networks engage with consumers to build a sound appreciation of what matters to consumers and encourage flexibility in regulatory decision making to ensure decisions are more reflective of consumer preferences.

2.3 Powercor’s additional engagement with the CAP to inform its Revised Proposal

The CAP met on a number of occasions following the publication of the CAP response to the draft Regulatory Proposal and then following the AER’s Draft Decision. This included all-day meetings in July, October and November 2025, plus shorter online meetings in August, September and November, to engage on key topics where the CAP could influence the Revised Proposal.

CAP sessions focused on those customer programs that the AER rejected in its Draft Decision and which the business intended to challenge in its Revised Proposal. Topics in the October and November sessions covered all three networks, Powercor, Citipower and United Energy.

Reset-related topics in the all-day July meeting included:

- Vulnerability strategy
- Customer assistance package
- First Peoples engagement
- Innovation fund
- Future customer engagement approaches

Topics in the all-day October session included:

- Customer electrification
- Regional and rural supply (undervoltage and SWER upgrades)
- Network and community resilience
- Vegetation management step change

² AER, *Draft decision Powercor electricity distribution determination*, 1 July 2026 – 30 June 2031, Overview, September 2025, p. 20

³ Ibid, p. 20

- Tariffs
- Customer Service Incentive Scheme (CSIS)
- Customer Assistance Package
- CBD security of supply.

Topics in the all-day November session included aspects of the above topics where the business had further developed its proposal as well as presentation of:

- The overall bill impact
- Network funding of data centre connections
- Contingency project proposal for Distribution Renewable Energy Zones (DREZ) (Powercor only)
- Vulnerability Strategy
- Customer Commitments
- DSO Vision.

In terms of the quality of engagement between the CAP and the business, we make the following comments:

- We commend the business for its continuing commitment to engage on a wide range of topics across the three networks to inform and strengthen its Revised Proposal
- The business prepared comprehensive slide decks for each session and shared these in advance of the meetings so CAP members could come prepared to discuss the topics in detail
- Subject matter experts from the business talked to their respective sections of the slide deck and were available to answer questions
- CAP members questioned and challenged what they heard to form a reasonable view on the proposals drawing on broader evidence of customer preferences
- It was challenging for the regulatory team to align internal decision-making and CAP discussions so that we could input at the right stage of the proposal development and decision-making process.

2.4 Overall view of Powercor's engagement

Overall, Powercor's staged and ongoing engagement provided meaningful insights and evidence of customers' needs and expectations. These insights that have helped inform the direction and focus for Powercor's proposals.

The CAP is comfortable that Powercor's Regulatory Proposal and subsequent Revised Proposal address those aspects of the service that are most important to customers, i.e. Powercor customers want equitable access to a reliable energy supply and equitable ability to participate in the energy transition.

We recommend the AER explains clearly how consumer preferences were considered in its final determination.

3 CAP views on substantive issues

3.1 Rural and regional Powercor customers / electrification

The variable quality and reliability of supply is a particular issue for Powercor customers, particularly those living in rural areas. Too many households and businesses have a service well below what metropolitan customers take for granted, and this divide is likely to grow as the move towards electrification gathers pace. This can have an impact on basic household services, quality of life and business growth. This was an issue powerfully articulated at the AER's first public forum on the Victorian distributors earlier in 2025, and before that at the rural and regional summit run by Powercor in Bendigo⁴.

In its Draft Decision, the AER did not approve Powercor's plans for significant investment to improve reliability for rural customers, particularly through SWER upgrades, which although serving a relatively small number of customers would have addressed an important need of worst-served communities and been an important step towards ensuring that fewer homes and businesses are left behind in the energy transition. The CAP acknowledges the AER's concern with expenditure that directly benefits a small number of customers being funded by all customers, but also notes that engagement showed that Powercor customers more broadly support the principle of equitable access to reliable energy throughout the network. The Draft Decision is clearly at odds with the strong and consistent messages from customers, whose interests are at the heart of the regulatory process.

In its Revised Proposal, Powercor has largely retained its proposed expenditure to improve regional and rural supply equity, clarifying the methodology it has used to assess costs and benefits. This project has the strong support of the CAP. We consider that Powercor's most recent *willingness to pay* research, which found that residential customers living in urban areas and even commercial and industrial customers support investment to improve SWER lines in rural areas, should prove persuasive, along with the revised costings which the AER requested. The CAP also recommends the AER consider developing a more nuanced approach to assess DNSP projects that improve reliability and security for worst-served customers in rural networks.

More generally, the CAP supports the business' evidence-based view that customer-driven electrification is outpacing the capability of existing LV networks, and that modest, targeted proactive investment is the most efficient way to protect customers, enable electrification benefits, and avoid larger costs later.

3.2 Resilience/bushfire mitigation and vegetation management

3.2.1 Resilience

Powercor customers have demonstrated they support investment in network resilience. We appreciate the AER also acknowledges the need for resilience-related expenditure.⁵ However, we also note with concern while the AER assessed Powercor's proposed resilience expenditure as prudent, it did not consider Powercor had provided sufficient evidence that the proposed solutions were efficient and likely to achieve the greatest net benefit to customers⁶. In fact, the AER made an allowance of only \$4.3M in its Draft Decision for Powercor's proposals to minimise bushfire risk compared to Powercor's original submission of \$49.3M.

⁴ Rural and Regional Summit Report, Powercor in partnership with Farmers for Climate Action, October 2024, p24: "*Equity and fairness concerns: Equity emerged as a central theme, with participants expressing a strong sense of disparity between urban and regional and rural areas regarding power quality and reliability. They emphasised the need for a more equitable approach to investments, pointing out that despite regional and rural areas hosting significant renewable energy generation, they were not seeing corresponding benefits. There was clear frustration about the perceived imbalance, with regional and rural communities bearing the burdens of energy production while urban centres enjoyed the advantages without adequate compensation. Moreover, participants expressed concerns over the absence of a clear and cohesive strategy to help regional and rural regions achieve net-zero emissions, indicating that the current plans did not sufficiently consider their unique challenges and contributions to the energy transition.*" <https://farmersforclimateaction.org.au/wp-content/uploads/2024/12/RR-Summit-Report-Final-22.11.24-1.pdf>

⁵ AER Draft Decision, p. vii

⁶ Ibid

Given the strong support from customers, the CAP is pleased that Powercor's Revised Proposal includes further evidence to demonstrate how the proposed investments will deliver value for customers. We encourage the AER reflect on its Draft Decision given this additional evidence and given the strength of support from customers for network investment in resilience.

The CAP supports the proposal to establish pre-wired connection points in 17 at-risk townships across the Powercor network.

3.2.2 Bushfire mitigation and vegetation management

Vegetation management and the mitigation of bushfires have a major impact on affected communities, and many customers in those communities might be surprised by the AER's outright rejection of the vegetation management step change. Similarly, the AER's rejection of proposed spend on network hardening with regard to bushfire and flood may cause customer concern.

The CAP commends Powercor's commitment to improving its vegetation management and its innovative approach in using aerial light detection and ranging (LIDAR) technology. We acknowledge that this more effective approach has led to a significant increase in identified issues and therefore cost as identification of non-compliance with vegetation management requirements demands a response.

We note the AER did not accept Powercor's proposed vegetation management opex step change. We welcome the work that the business has done to provide the AER with further and revised details to refine and justify the proposals, given the strong customer support for this investment.

3.2.3 Community Support Officers

Powercor initially proposed the employment of five Community Support Officers who would work with communities to better prepare for extreme weather events. Both the CAP and the AER's CCP supported an opex step change for this proposal, which is low-cost. The recent (January 2026) bushfires which have affected many rural communities provide an example where this approach could have real value. However, while the AER identified the proposal as prudent it was not satisfied that the step change costs was "efficient".⁷ It is unclear how the AER formed this conclusion in its economic assessment as the benefits of better preparing communities to deal with extreme weather events are likely to be positive, but hard to quantify.

Regardless, while Powercor has not sought to contest the AER, the CAP has urged the business to create these new roles regardless of the AER's decision. The roles will require a relatively small amount of funding, have a worthwhile impact on communities, potentially enhance each network's reputation locally, and help demonstrate to the AER their value to communities when assistance is required. Community Support Officers may also ultimately reduce costs for the business, as customers build their own resilience.

3.3 Customer Assistance Package

The AER acknowledges that the Customer Assistance Package initially proposed by the business had strong customer support but also notes that some elements may be duplicative of other programs or are not necessarily best delivered by a DNSP. These concerns were discussed at length in meetings between the business and the CAP while the package was being developed.

The CAP agrees with the AER that the business should focus on services that a DNSP is best placed to deliver and that are not otherwise accessible to targeted customers. But there is nuance to these considerations. Programs may be delivered by other entities but not be widely accessible to customers, and/or the programs may be under-resourced when delivered by others. In the absence of a well-resourced statewide program, there is a clear role for a DNSP to leverage its expertise and local customer

⁷ AER, *Draft decision Powercor electricity distribution determination, 1 July 2026 – 30 June 2031, Attachment 3 – Operating expenditure*, p. 33

and community knowledge to work in partnership with relevant local community organisations to support their delivery of a program like Energy Care where there is a need. The CAP has urged the business to use this approach to help deliver a program customers have expressed a need for in a cost-effective manner, and this has been reflected in program design.

The role of electricity distributors is evolving over time, as it responds to customers' preferences and expectations. We expect that the regulator similarly evolves its understanding of this role, while continuing to interrogate the prudence and efficiency of these emerging aspects of delivering a distribution network service. This is especially important with respect to an issue like vulnerability where customers are looking for a response from their DNSP and where regulators in other jurisdictions, such as Ofgem in the UK, have long accepted the important role played by distribution businesses in efficiently addressing customer vulnerability.

During the initial development of the Customer Assistance Package, the CAP emphasised to the business the importance of programs addressing customer vulnerability being developed and implemented as part of an overarching vulnerability strategy that spells out the business's roles, responsibilities, strengths and opportunities. The business consequently developed a vulnerability strategy with considerable input from the CAP, customers and other stakeholders, and this strengthened the customer assistance package as presented in the initial proposal. This was the basis on which the CAP generally supported the original package.

The CAP accepts the AER's Draft Decision to not approve the Energy Advisory Services program and supports the business's commitment to still provide discounted services to eligible individuals or small-medium businesses that align with the vulnerability definition as articulated in the Vulnerability Strategy.

The CAP encouraged the business to make the case for full funding of the Energy Care program in its Revised Proposal to support establishment and to assist with ensuring adequate reach and capacity to support partner organisations. We support the business' decision to accept the lower expenditure approved by the AER as this still allows the program to be established and its real-world effectiveness and capacity assessed. However, we note that the initial expenditure proposed was modest, with minimal impact on customer bills, and that the program was supported by customers.

The CAP welcomes the AER's acceptance of the Vulnerable Customer Assistance Program, a critical initiative to support vulnerable customers through the energy transition which a DNSP is perfectly positioned to deliver. The business involved the CAP on the elements and costs of the program and we strongly support it.

The CAP supports the business's revision of the Community Energy Fund as an innovation project – this focuses the project on trialling how a distribution network can support community energy projects in a way that brings value to all customers by identifying opportunities to leverage community energy projects when deploying non-network solutions to enable CER and improve reliability, security and power quality. We also note the views of the First Peoples Advisory Committee on the value of the First Peoples Program, which we welcome.

3.4 Customer Service Incentive Scheme (CSIS)

The CAP was involved in the development of the CSIS proposal, and we consider that while there was scope for using a co-creation approach with customers, the methods used by the business were reasonable and proportionate.

The CSIS design drew on the results of engagement on which aspects of customer service customers value most highly or most want to see improved, rather than engagement on the explicit design of the scheme; the latter would have been an appropriate approach too, but not essential. We do not agree with the AER's view that there was '*inadequate consultation on scheme design*', and we do not support its

outright rejection of all Victorian networks' CSIS proposals. The AER has shared no consumer insight or customer engagement of its own to support this Draft Decision.

It is important to continue to incentivise improved customer service in areas that matter most to customers. The AER clearly considers that the CSIS submitted by the five Victorian networks were insufficiently ambitious and differentiated. In this situation, we would look to the AER to call on the businesses to remedy this by improving their CSIS proposals – such as by setting more challenging targets or, in this specific case, by revisiting customers' expressed preferences and removing unsuitable priorities from the ranked list to bring others into the scheme. Rejecting the CSIS and substituting the increasingly outdated STPIS measure of telephone answering time does a disservice to customers and is a disappointment to the CAP.

The CAP urged the business to re-propose a revised CSIS, addressing the key issues articulated in the Draft Decision. Ultimately it decided to accept the AER's decision (noting in particular that there was insufficient time to undertake additional meaningful customer engagement on this issue), and the CAP accepted this decision.

The CAP requests that, to support future resets, the AER publish further guidance on (i) what constitutes adequate consultation (noting the different needs and expertise of customers and other stakeholders); and (ii) the rationales for rejection and conditional acceptance of CSIS proposals.

We welcome the business' commitment to do more work in this area over the next couple of years, to develop baselines for potential future CSIS measures. The accuracy of estimated restoration times in unplanned outages, which customers say they greatly value, is an obvious measure to include in a future CSIS.

3.5 Tariffs

The CAP largely agrees with the AER's approach on tariffs, while noting that the business is somewhat constrained by the Victorian Government's opposition to mandatory time-of-use and two-way tariffs.

We encourage Powercor to be bold on network tariffs and associated reform. Appropriate cost-reflective network tariffs lay the foundations that underpin a customer centric energy transition. Currently there are significant cross subsidies that unless addressed will mean that some groups end up subsidising other groups and as all homes are electrified the distributional cost implications become more pronounced.

We welcome the business' commitment to undertake *"campaigns to encourage residential customers to optimise their energy bills by switching to a retail time-of-use tariff and matching their energy usage to low price periods."*⁸

We broadly support the proposal to add a low-priced saver period (11am–4pm) to the residential time-of-use tariff, which will help spread the benefits of solar. Our one concern, on which we suggest the AER seeks further insights, is the issue raised with us about the impact of, for example, Ovo's Free 3 Plan and unintended consequences on local under-voltage impacts. We understand from the business that even at relatively low levels of uptake this is affecting local voltage levels which could limit greater uptake of CER. We would like to see more information on how this issue will be mitigated if and when a more substantial free or cheap afternoon consumption period is put in place. So we support the proposal on the basis the business monitors consumer response (to the extent it can given that network charges are tied up in the overall bill) to demonstrate the benefit and manage any emerging issues.

⁸ Powercor Tariff Structure Statement: Explanatory Statement, p11

3.6 Innovation allowance

The CAP supported Powercor's proposal for an Innovation Fund and agreed with the business that, in alignment with the purpose of an innovation program – trialling and piloting new approaches to deal with emerging challenges related to the rapid changes in the energy system driven by technological advances and shifts in energy usage – it is appropriate to leave projects for the latter years of the period unspecified so long as:

- the focus areas for the program are clearly articulated and linked to expenditure priorities;
- there is a robust governance process providing transparency for and enabling input from key stakeholders – including the capacity for stakeholders to propose projects; and
- there is a mechanism for, or at least a clear commitment to, returning unspent funds to customers.

The CAP supported the proposed innovation program on this basis, with the caveat that the governance framework and role of the innovation allowance stakeholder committee still need to be more fully articulated. Customer interests should sit at the heart of the fund through strong consumer-centred governance. We support the high-level framework but would for example like to know how many consumer representatives there will be, for example, how they will be selected who will chair the committee.

Nevertheless, the CAP understands the AER's reluctance to approve funding for unspecified projects and appreciates its rigor in assessing projects against the criteria, especially with respect to:

- whether projects are truly innovative or could be considered BAU projects (thus giving guidance as to what types of projects meet expectations as BAU activities); and
- the degree to which projects are clearly linked to the expenditure objectives.

With respect to the requirement to propose projects over the entirety of the regulatory period rather than allocate funding for unspecified projects in later years: while we are comfortable with the latter approach given the business's commitment to a transparent process for determining future projects, we recognise the rationale for the AER's decision and the value in the forward-looking approach this requires. Our overarching concern is the need for the business to have the flexibility to change innovation plans as new issues or priorities emerge, or as the continuing evolution of the energy system and emerging needs see proposed future projects being reassessed as BAU activities. Our conversations with the AER and the experience in the current period of other DNSPs shifting innovation projects to BAU and proposing new innovation projects to use the freed-up portion of the allowance gives us comfort that, with the governance arrangements ensuring stakeholder involvement in these decisions, this will be possible.

Regarding the AER's decision to not allow exclusion from the CESS and the EBSS and its statement that there is no regulatory mechanism to apply a 'use-it-or-lose-it' mechanism to return unspent funds to customers, we note that the AER has also stated elsewhere that DNSPs are free to voluntarily forgo CESS and EBSS rewards, and that the business also has the capacity to adjust its revenue requirements to ensure that customers don't pay for any unspent allowance. We look to a firm commitment from the business on this issue and note that the accountability from the business to stakeholders including the CAP and the innovation allowance committee brings transparency to it.

The CAP supports the innovation program articulated in Powercor's Revised Proposal, centred as it is on innovation that has a likely benefit for customers, with clarity on how the benefits of any successful innovations are shared with customers. We support the four proposed focus areas (assisting the energy transition; improving customer experience; developing sustainable networks; and building network resilience), which broadly reflect customer priorities and emerging needs; and the clear articulation of the intended outcomes:

- supporting long-term affordability

- enabling flexibility markets
- enabling CER uptake, integration and utilisation
- supporting emissions reduction and net zero targets
- increasing network utilisation
- supporting equity across vulnerable and worst-served customers.

We also appreciate the detail given for the proposed projects, particularly the clear articulation of:

- the alignment with expenditure objectives;
- the assessment against alternative funding sources;
- the specification of success criteria; and
- the clear identification of customer outcomes and benefits.

While the stated outcomes and benefits of the individual projects encompass the intended outcomes of the project as a whole (listed above), the business could give greater clarity by also explicitly naming which of these overarching outcomes are addressed by each project.

4 Conclusion

We commend Powercor for the nature and extent of its customer engagement, both throughout the preparation of its Regulatory Proposal and in the period since it submitted its Final Proposal and the AER responded with its Draft Decision. We hope that this most recent work will help the AER reach decisions which reflect the priorities and needs of customers.

We welcome the AER's focus on affordability but also encourage it to focus closely on customer needs and preferences in its consideration of what is prudent and efficient. The AER must enable the role of the network to evolve at a critical time in the energy transition, likely characterised by a very significant level of change. Likewise we encourage the AER to evolve its thinking so that regulatory decisions remain relevant and in line with consumer expectations.

We particularly support Powercor's continued focus on the needs of rural and regional customers. The business' engagement over recent years has found strong and consistent views in the communities most affected; and more recent engagement has found strong backing from customers – both residential and business – who do not live and work in these communities.

We also greatly welcome Powercor's focus on customer vulnerability, framed by the new Vulnerability Strategy which was first proposed by the CAP, and the various proposals to enhance customer and community safety and resilience. We support the business' Revised Proposals on innovation, although we would like to see more detail on the governance arrangements. We support the tariff proposals, particularly the commitment to increase customer awareness of the benefits of time-of-use tariffs.

We are disappointed by the AER's rejection of the CSIS, and particularly that the AER offered no customer insight in support of its Draft Decision. We consider that the business' engagement on the creation of the draft CSIS was reasonable and proportionate; and rejecting the CSIS and substituting the increasingly outdated STPIS measure of telephone answering time does a disservice to customers. We welcome Powercor's commitment to develop benchmarks on aspects of service that matter most to customers, such as the accuracy of supply restoration estimates, so that a future CSIS is better.

The CAP would be happy to meet AER staff and/or Board members to discuss any of the views expressed here in more detail.