

Final decision

CitiPower, Powercor and United Energy
distribution determinations

1 July 2026 – 30 June 2031

Attachment 13 – Tariff structure statement

April 2026

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13 Tariff structure statement

13.1 Final decision

This attachment sets out our final decision on CitiPower’s, Powercor’s and United Energy’s (CPU’s) tariff structure statements which will apply from 1 July 2026 and remain in effect for the remainder of the 2026–31 regulatory control period. A tariff structure statement sets out a distributor’s:

- proposed network tariffs (including tariff structures and charging parameters)
- export tariff transition strategy
- policies and procedures the distributor will use to assign customers to network tariffs or assign customers from one tariff to another.

It is accompanied by an indicative pricing schedule.¹

Network tariffs provide the charging framework through which distributors recover their costs for providing network services. After our approval, a tariff structure statement becomes a compliance document against which we assess the distributor’s annual pricing proposals.

We accepted many elements of CPU’s initial tariff structure statements in our draft decision. Attachment 13 of our draft decision sets out our reasons for accepting those elements. We do not repeat them in this final decision.

Our final decision focuses on:

- issues unresolved after our draft decision
- our assessment of changes between CPU’s proposed and revised tariff structure statements
- submissions on our draft decision and CPU’s revised tariff structure statements.

13.1.1 Introduction

Our final decisions on the Victorian distributors’ 2026–31 tariff structure statements conclude our decisions on the third round of tariff structure statements. That is, the third round since network tariff reform was introduced in 2014 in response to the Australian Energy Market Commission’s (AEMC’s) Power of choice review.²

Tariff structure statements have evolved from including primarily simple flat and variable network tariffs to consider a number of factors, including: recent rule changes, such as the *Access, pricing and incentive arrangements for distributed energy resources rule change* (August 2021) that provided for two-way pricing; jurisdictional Government tariff assignment preferences; and stakeholder consultation. Notably, the Victorian distributors’ third round of tariff structure statements include:

¹ NER, cl. 6.18.1A.

² AEMC, *Power of Choice Review*, November 2012.

- new time-of-use tariffs for residential customers with low network cost recovery during the middle of the day (solar soak tariffs). On this, we encourage the distributors to monitor the impact of solar soak tariffs on demand profiles and local voltage levels over the 2026–31 period³
- optional export (or two-way) pricing for residential customers that signals the costs to the network of providing export services and recovers those costs from exporting customers, while also rewarding customers for exports that benefit the network
- innovative tariffs and tariff trials that send signals and rewards to increasingly large and flexible load/supply, including electric vehicle (EV) storage customers.

We acknowledge that the environment for network tariffs is continuing to change rapidly. We reflect that there has been a step up in the distributors' proposed expenditure in their 2026 – 31 revenue proposals. This, coupled with rising demand and electrification, mean that network tariffs have a continuing but evolving role, now and in the future, to manage network utilisation, mitigate network augmentation and lower network costs for all customers. We also acknowledge that network tariff design should be considered holistically, along with, for example, the broader network regulation framework, incentives schemes and non-network options.

We look forward to continuing to engage with the AEMC on its current *Electricity pricing for a consumer-driven future* review (the pricing review), along with any consequential rule change requests that may follow. We will also engage with the AEMC's upcoming *Electricity network regulation review*, which is a timely opportunity to consider how the framework as a whole shapes incentives for network businesses, as well as Energy Networks Australia's *Improving flexibility in the Tariff Structure Statement process* rule change request if and when that is initiated by the AEMC. While we are cognisant that outcomes from these processes could lead to changes to the regulatory framework for network tariffs, our role is to implement the existing framework and our decisions on the Victorian distributors' third tariff structure statements reflect that role.

13.1.2 Final decision

Our final decision is to refuse to approve CPU's revised 2026–31 tariff structure statements and require 2 amendments.⁴ We are satisfied that with these amendments, CPU's revised 2026–31 tariff structure statements will comply with the pricing principles for direct control services and other applicable requirements of the National Electricity Rules (NER). The amendments are to:

- better explain the available supply for dedicated circuit tariffs
- remove the 120kVA (kilovolt-amps) minimum chargeable demand charge that applies for the rolling demand component of CPU's large LV (low voltage) business tariffs.

³ This issue was highlighted in submissions by Citipower's, Powercor's and United Energy's (CPU's) Customer Advisory Panel but is applicable to all Victorian distributors: CPU Customer Advisory Panel, *Submission on CitiPower electricity distribution proposal 2026-31*, January 2026, p. 8; CPU Customer Advisory Panel, *Submission on Powercor electricity distribution proposal 2026-31*, January 2026, p. 9; CPU Customer Advisory Panel, *Submission on United Energy electricity distribution proposal 2026-31*, January 2026, pp. 8–9.

⁴ NER, cls. 6.12.3(k) and (l).

We have also amended CPU’s revised tariff structure statements *at their request* to:

- further explain how they will bill their basic export level. In March 2026, CPU explained to us that CitiPower and Powercor’s billing systems did not support implementation of the basic export level on a daily basis. The amendment specifies that CPU will instead administer the basic export level over a single billing period, such that any remainder of the free export allowance would roll over to subsequent days within the period. For example, a billing period of 31 days would include 31kWh (kilowatt-hours) of free export between 11:00am – 4:00pm (determined by multiplying 1kWh/day by the number of days in the billing period). The basic export level is discussed further in section 13.4.2
- clarify when the off-peak charging window applies for the Flexible Small and Flexible Large tariffs. Flexible connection tariffs are discussed further in section 13.4.5.

Our final decision sets out the minimum changes we consider necessary for CPU’s proposed tariff structure statements to comply with the pricing principles.

We publish the final versions of CPU’s tariff structure statements alongside our final decisions. For transparency, we publish both clean versions and marked-up versions.

Table 13-1 summarises our final decision on elements of CPU’s revised tariff structure statements that were not approved in our draft decision or that were changed from the initial tariff structure statements submitted in January 2025.

Table 13-1 Overview of new or amended elements of revised tariff structure statements

Issue	AER’s Draft Decision	Distributors’ revised tariff structure statements	AER’s Final Decision
Controlled load / dedicated circuit tariffs	Approved the tariff structures. Required CPU to include minimum supply time availability for controlled load / dedicated circuit tariffs.	Included the availability information with some inconsistency in terminology between CPU’s revised tariff structure statements and explanatory statements.	Amend the text in the tariff structure statement to include CPU’s explanation of when typical supply availability may not be met.
Small business tariff fixed charge recovery	Not approved. Required bill impact analysis and supporting information on CPU’s proposal to progressively increase the proportion of costs recovered through fixed charges for small businesses.	Included the requested bill impact analysis, and explained why solar customers may be better off from the change.	Approve.

Issue	AER's Draft Decision	Distributors' revised tariff structure statements	AER's Final Decision
Two-way tariffs and basic export level	Not approved. Required further justification of proposed 1kWh /day basic export level, and required additional information to enable the AER to have regard to network intrinsic hosting capacity when assessing basic export levels.	Retained a 1kWh/day basic export level and provided additional information.	Approve but amend to explain, at CPU's request, that CPU will administer the basic export level over a 31-day period.
Network bill impact analysis	Not approved. Required further network bill impact analysis for: <ul style="list-style-type: none"> - residential customers affected by removing residential demand tariffs and those moving to the proposed time-of-use tariff - the proposal to increase fixed charge cost recovery from small business customers - United Energy customers affected by introducing medium business tariffs - Powercor large customers affected by the introduction of winter demand incentive charges. 	Provided the required analysis in the revised proposal.	Approve.
Medium business tariffs (United Energy only)	Approved United Energy's proposal to introduce 2 new medium business tariffs but encouraged it to do more targeted engagement with affected customers on this change before the revised proposal.	United Energy did not provide further information on engagement but committed to gradually increasing the fixed charges over the period to manage bill impacts.	Accept United Energy's approach but encourage ongoing engagement with affected customers.
Minimum chargeable	N/A	N/A	Amend the tariff structure statements to

Issue	AER's Draft Decision	Distributors' revised tariff structure statements	AER's Final Decision
demand for large low voltage customers			remove the 120kVA minimum chargeable demand charge from the large LV tariffs.
Flexible connection tariffs and basic export levels	Not approved. Required further information on eligibility, CPU's assignment discretion, and flexible connection processes and fees. Also required further supporting information on the 1kWh/day basic export level.	Included further information on eligibility, basic export levels, CPU's discretion and connection processes.	Approve but amend to provide further clarity, at CPU's request, on off-peak charging windows for Flexible Small and Flexible Large tariffs.
Network support exemptions for flexible connection customers	N/A	Explained the difference between flexible connection agreements and network support exemption agreements.	Accept CPU's approach to offering network support payments.
Long run marginal cost (LRMC) methodology (import and export)	Not approved. Required LRMC input forecasts based on at least a 10-year period as well as further explanation related to: <ul style="list-style-type: none"> - the underlying forecast demand driving expenditure - forecast expenditure for both import and export services - forecast avoidable costs that support export services 	Provided 10-year forecast and further explanation of forecast demand and expenditure in supporting documents to CPU's 2026–31 regulatory proposals.	Approve.
Unmetered customer tariffs / type 7 and 9 metered tariffs	Not approved. Required further consideration of type 7 and type 9 meter tariffs to account for future type 9 metered loads.	Clarified that type 7 and type 9 metered tariffs are only available to type 7 metered load, public lighting and type 9 metered loads ≤5MWh (megawatt-hours) per annum.	Approve.

13.1.3 Tariff communications

Many submissions on our draft decisions (for all Victorian distributors) and the distributors' revised proposals highlighted the need for considered and coordinated education on tariffs in the context of an evolving tariff environment. Sandy Point Community Power (on AusNet's proposal) submitted that a public awareness campaign could mitigate some concerns customers have around their ability to respond to solar soak tariffs (for example shifting electricity use to the middle of the day).⁵ The Consumer Challenge Panel 32's (CCP32's) feedback supported a joint tariff information campaign between Victorian distributors, retailers and the Government.⁶ Similarly, Jemena's Energy Reference Group noted and urged the AER to clarify who is responsible for this education.⁷ AusNet's reset coordination group supported tariff education generally, but noted the evolving political and regulatory environment for tariffs.⁸

While our draft decisions did not approve AusNet's or Jemena's proposed tariff communication operating expenditure (opex) step changes, we consider there is value in distributors undertaking tariff education. Distributors remain well-placed to support customer understanding as part of their business-as-usual activities, particularly when this communication is undertaken in tandem with retailers, across all Victorian distributors and includes the Victorian Government. We consider that any customer-centred education should focus on how customers can understand, respond to and benefit from *retail* tariffs and signals, rather than network tariffs. This is because customers are not directly exposed to network tariffs, and it is the retail offer that customers can see and potentially respond to. We encourage joint engagement between the Victorian Government, Victorian distributors and retailers on tariff education.

13.2 CitiPower's, Powercor's and United Energy's revised proposals

CPU submitted revised tariff structure statements in December 2025. The revised tariff structure statements are largely consistent with the tariff structure statements initially submitted in January 2025. In response to our draft decision, CPU:

- included some information about the supply time availability for dedicated circuit / controlled load tariffs
- provided supporting information on the proposal to progressively increase cost recovery through fixed charges for small business customers

⁵ Sandy Point Community Power, *Submission on AusNet's electricity distribution proposals 2026-31*, January 2026, p. 3.

⁶ CCP32, *AusNet Revised Regulatory Proposal and Draft Decision Advice 2026-31*, January 2026, pp. 22-23; CCP32, *Jemena Revised Regulatory Proposal and Draft Decision Advice 2026-31*, January 2026, pp. 11-12; CCP32, *CitiPower Revised Regulatory Proposal and Draft Decision Advice 2026-31*, January 2026, p. 20; CCP32, *Powercor Revised Regulatory Proposal and Draft Decision Advice 2026-31*, January 2026, p. 21-22; CCP32, *United Energy Revised Regulatory Proposal and Draft Decision Advice 2026-31*, January 2026, p. 21.

⁷ Jemena Energy Reference Group, *Feedback to AER on Jemena Electricity Networks electricity distribution proposals 2026-31*, January 2026, p. 5.

⁸ AusNet Coordination Group, *Independent Report and Submission on Draft Decision and Revised Regulatory Proposal 2026 – 2031*, January 2026, p. 25.

- provided additional information supporting the proposed 1kWh/day basic export level for proposed residential two-way tariffs and flexible connection tariffs
- included bill impact analysis demonstrating the impact of/to:⁹
 - closing residential demand tariffs
 - residential customers moving to the new time-of-use tariffs
 - the proposal to increase fixed charge cost recovery from small business customers
 - United Energy customers affected by proposed medium business tariffs
 - Powercor large customers affected by the proposed introduction of winter demand incentive charges
- (United Energy only) committed to gradually increasing the proposed fixed charge component of medium business tariffs over the 2026–31 period to manage the impact to affected customers
- provided additional information on the eligibility and assignment criteria for flexible connection tariffs, and connection processes and fees for flexible connections
- extended the LRMC forecast to 10 years and provided further explanation of forecast expenditure and demand driving expenditure
- included further information on how residual costs will be recovered¹⁰
- clarified that ‘type 7 and type 9 metered tariffs’ (formerly unmetered tariffs) would be available to all type 7 metered load, public lighting and type 9 metered loads up to 5MWh per annum, and explained that type 9 metered load that is ineligible for this tariff would be assigned to the equivalent business tariff.¹¹

13.3 Assessment approach

We assess tariff structure statements against the requirements of the NER and the National Electricity Law (NEL). We make our decisions in a manner that is or likely to contribute to the achievement of the National Electricity Objective (NEO).

First, the NER set out elements that an approved tariff structure statement must contain.¹² These include the structure of proposed tariffs, and the policies and procedures the distributor will use to assign customers to those tariffs.

⁹ This was required in our draft decision, AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, p. 27, 41. This issue is not covered again within section 13.4 of this attachment.

¹⁰ This was encouraged in our draft decision, AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, p. 51. This issue is not covered again within section 13.4 of this attachment.

¹¹ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement Compliance Document*, December 2025, p. 21; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement Compliance Document*, December 2025, p. 21; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement Compliance Document*, December 2025, p. 21.

¹² NER, cl. 6.18.1A(a).

Second, a tariff structure statement must comply with the pricing principles set out in NER cl. 6.18.5.¹³ Broadly, that is:

- tariffs must comply with the pricing principles, in a manner that will contribute to the Network Pricing Objective (NPO) - that tariffs reflect the distributor's efficient costs of providing those services to the retail customer¹⁴
- tariffs can vary from tariffs that comply with the pricing principles in NER clauses 6.18.5(e) – (g) (economic pricing principles) to the extent permitted under NER cl. 6.18.5(c) (in consideration of customer impacts, customer / retailer understandability, and that tariffs comply with the NER and all applicable regulatory instruments)

Third, we consider whether and how a distributor's tariff structure statement contributes to the achievement of the NEO.

We also take into consideration stakeholder submissions.

Subject to chapter 6 and cl. 6.12.3 of the NER, the AER has (limited) discretion to accept or approve, or refuse to accept or approve, any element of a proposed tariff structure statement.¹⁵

Under NER cl. 6.12.3(k), the AER must approve a tariff structure statement unless the AER is reasonably satisfied that the proposed tariff structure statement does not comply with the pricing principles for direct control services or other applicable requirements of the NER.

The minimum changes we have made are in accordance with NER cl. 6.12.3(l). Under NER cl. 6.12.3(l), if the AER refuses to approve a proposed tariff structure statement, the AER must include in that distribution determination an amended tariff structure statement which is:

- determined on the basis of the distributor's proposed tariff structure statement; and
- amended from that basis only to the extent necessary to enable it to be approved in accordance with the NER.

13.3.1 What happens after a tariff structure is approved?

Once approved, a tariff structure statement will remain in effect for the relevant regulatory control period. The distributor must comply with the approved tariff structure statement and be consistent with the indicative pricing schedule when setting prices annually for direct control services.¹⁶

We will separately assess the distributors' pricing proposals for the coming 12 months. Our assessment of pricing proposals will be consistent with the requirements of the relevant

¹³ NER, cl. 6.18.1A(b).

¹⁴ NER, cl. 6.18.5(a), cl. 6.18.5(b), cl. 6.18.5(d).

¹⁵ NER, cl. 6.12.3(a)(2).

¹⁶ NER, cl. 6.18.2(b)(7), cl. 6.18.2(b)(7A).

approved tariff structure statement. A distributor is required to submit its initial pricing proposal within 15 business days after publication of our determination.

An approved tariff structure statement is intended to provide certainty and transparency to customers for 5 years. It can only be amended within a regulatory control period with our approval.¹⁷ We will approve an amendment if the distributor demonstrates that an event has occurred that was beyond its control and which it could not have foreseen, and that the occurrence of the event means that the amended tariff structure statement materially better complies with the distribution pricing principles.¹⁸

13.4 Reasons for decision

As noted under section 13.1.2, our final decision is to refuse to approve CPU's revised tariff structure statements and require 2 amendments to make them compliant with the NER. In this section, we outline our reasons for accepting, approving and amending elements of CPU's revised tariff structure statements.

Please refer to attachment 13 of our *draft* decision for detail on these issues that we have not provided additional analysis on namely:

- elements we approved in our draft decision and that CPU did not change between their initial and revised tariff structure statements
- elements of our draft decision that CPU adopted or addressed (if no submission raised issues on these elements).

This section is structured as follows:

- Small customer tariffs (residential and small business)
- Two-way tariffs (proposed for residential customers only)
- Medium and large business customer tariffs
- Individually calculated / site-specific tariffs
- Flexible connection (storage / generation) tariffs
- Long run marginal cost methodology
- Type 7 and Type 9 metered tariffs

13.4.1 Small customer tariffs (residential and small business)

13.4.1.1 Dedicated circuit tariffs

Our final decision is to amend the revised tariff structure statements to the extent necessary to enable CPU's tariff structure statements to be approved,¹⁹ to explain in which situations typical available supply for dedicated circuit tariffs will *not* be met. This is because we consider the minimum availability of supply for dedicated circuit tariffs makes up part of a

¹⁷ NER, cl. 6.18.1B.

¹⁸ NER, cl. 6.18.1B(d).

¹⁹ NER, cls. 6.12.3(k) and (l).

dedicated circuit tariff's structure, and a tariff structure statement must include tariff structures (NER cl. 6.18.1A (a)(3)) for all tariffs.

Our draft decision

Our draft decision required CPU to clarify the minimum hours of supply available to customers on these tariffs.

CPU's revised tariff structure statements

CPU included information about the *typical* hours of supply available to customers in their revised tariff structure statements rather than the *minimum* hours of supply. Their tariff structure statements explained that "*typically the dedicated load will be switched on for 8 hours per day (hot water) (7 hours for United Energy) and 10 hours per day (slab heating) during times that depend on localised demand management activities which may be during the daytime and/or nighttime.*"²⁰ 'Typically' is CPU's preferred wording because the future number of hours of heating cannot currently be stated with certainty as CPU will move some hot water heating from overnight to during the day.²¹

Stakeholder feedback

AGL's submission on the Victorian distributors' revised tariff structure statements maintained its support for 24-hour dedicated circuit/controlled load tariffs (as are available in CPU's and AusNet's jurisdictions).²² AGL also supported CPU classifying hot water flexibility as a service. This is discussed further in Attachment 11, Service Classification.

AER's considerations

We have amended CPU's revised tariff structure statements to increase certainty of when typical supply times may not be met. This has involved including additional text which explains that typical control load supply could be less, depending on network operational requirements.

We acknowledge CPU's position that the future number of hours of heating cannot be stated with certainty.²³ However, our considered view is that minimum controlled load tariff supply relates to the tariff structure and charging parameters (NER cl. 6.18.1A (a)(3)). Therefore, tariff structure statements should provide more certainty over minimum supply availability than is currently offered. This requirement still allows CPU flexibility over the actual supply times where necessary for localised network operations.

13.4.1.2 Proposed increase in small business fixed charge recovery

Our final decision is to accept CPU's proposal to gradually increase the proportion of small business revenue recovered by fixed charges to 30% by the end of the 2026–31 period.

²⁰ CitiPower, *Revised proposal 2026-31 - Tariff structure statement*, December 2025, p. 15; Powercor, *Revised proposal 2026-31 - Tariff structure statement*, December 2025, p. 15; United Energy, *Revised proposal 2026-31 - Tariff structure statement*, December 2025, p. 16.

²¹ CitiPower, *Information request #060 – Revised proposal TSS clarifications*, January 2026, p.1; Powercor, *Information request #062 – Revised proposal TSS clarifications*, January 2026, p.1; United Energy, *Information request #055 – Revised proposal TSS clarifications*, January 2026, p.1.

²² AGL, *Submission on Victorian electricity distribution proposals 2026-31*, January 2026, p. 1.

²³ CitiPower, *Information request #060 – Revised proposal TSS clarifications*, January 2026, p.1; Powercor, *Information request #062 – Revised proposal TSS clarifications*, January 2026, p.1; United Energy, *Information request #055 – Revised proposal TSS clarifications*, January 2026, p.1.

More closely aligning fixed charge recovery with CPU's residual costs contributes to the achievement of the NPO (NER cl. 6.18.5(a)). We consider that some rebalancing of residual costs towards fixed charges is consistent with CPU seeking to ensure the revenue recovered from each tariff reflects the total efficient costs of serving customers assigned to that tariff per NER cl. 6.18.5(g) (in the context of increasing customers with solar contributing less to recovery of residual costs incorporated in variable charges). Further, CPU have considered the impact of rebalancing towards fixed charges per NER cl. 6.18.5(h).

Our draft decision

Our draft decision required CPU to include further information, including bill impact analysis, to support CPU's proposal to increase the proportion of small business revenue recovered by fixed charges. We also required CPU to consider the impact of increasing small business fixed charges on non-solar customers.²⁴

CPU's revised tariff structure statements

CPU's revised tariff structure statements retained their initial proposals to gradually increase the proportion of small business revenue recovered by fixed charges to 30% by the end of the 2026–31 period, while reducing energy and demand charges. CPU also did not change their rationale for rebalancing revenue between charging components, which includes that:²⁵

- the current proportion of small business revenue recovered from fixed charges is low, approximately 14% (CitiPower), 17% (Powercor) and 8% (United Energy)²⁶
- the percentage of costs that are residual costs are high compared to LPMC (57% (CitiPower), 73% (Powercor), and 60% (United Energy) of small business costs are residual costs
- small business customers with solar are not making a fair contribution to network costs.

Bill impact analysis, which our draft decision required CPU to provide, demonstrates that most customers are worse off from rebalancing residual cost recovery towards fixed charges, but individual outcomes depend on the consumption level of the customer.^{27,28} That is, customers who consume less electricity are worse off from rebalancing towards fixed charges. CPU's analysis also demonstrated that a higher proportion of customers with solar are better off because they tend to be bigger electricity consumers than customers without solar. For example, between 75% - 79% of small business customers *without* solar and on

²⁴ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy distribution determination 2026-31*, September 2025, p. 24.

²⁵ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 41; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 41; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 57.

²⁶ Per 2025–26 approved annual pricing models.

²⁷ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, pp. 42 – 44; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, pp. 42 - 44; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, pp. 42 - 44.

²⁸ CitiPower, *Information Request #077 – Small business fixed charges*, February 2026, p. 1; Powercor, *Information Request #078 – Small business fixed charges*, February 2026, p. 1; United Energy, *Information Request #067 – Small business fixed charges*, February 2026, p. 1.

flat network tariffs would be worse off, compared to between 49% - 56% of customers *with* solar being worse off.

For those customers who would be worse off, they would be worse off by around 15% (network bills between \$109 - \$266 higher than if there were no changes to fixed charge recovery). To manage this impact, CPU has proposed to gradually increase small business fixed charges and lower variable charges over the 2026–31 period such that the average bill increase would be between \$22 - \$53 a year for those customers worse off.

Stakeholder feedback

We received no submissions on CPU's small business tariff fixed charges.

AER's considerations

We are satisfied that CPU's proposal to moderately increase small business fixed charges over the 2026–31 period appropriately balances the pricing principles in NER cl. 6.18.5. Specifically, a modest increase in fixed charges complies with NER cl. 6.18.5(g), and the transition to increase fixed charges over 5 years considers the impact to customers per NER cl. 6.18.6(h). These changes will see the proportion of CPU's small business revenue recovered through fixed charges, which will be approximately 30% by the end of the 2026–31 period, more closely align with the balance between fixed and variable charges in CPU's residential customer tariffs. Currently, the proportion of CPU's residential revenue recovered from fixed charges is approximately 26% (CitiPower), 27% (Powercor) and 21% (United Energy) respectively.²⁹

Increases in fixed charges mean that CPU will recover a smaller portion of their small business residual costs through demand and energy charges. Residual costs are those costs that are not captured in LRMC/forward-looking costs. Together, the residual costs and LRMC form a distributor's total costs, which, for each tariff, are required to be recovered in a way that reflect a distributor's total efficient costs of serving the customers assigned to the tariff.³⁰ On the other hand, excessive fixed charges, particularly if they occur over a short time, could have significant material impacts on customers. We consider CPU's proposals reflect an appropriate balance between these principles. We also acknowledge CPU's concerns that small business customers with solar are not making fair contributions to network cost recovery. We note that CPU's forecast demonstrates a small increase in the percentage of small business customers who will have solar by the end of the 2026 – 31 period, such that by the end of it, 3% CitiPower, 12% Powercor and 8% United Energy small business customers will have solar.³¹ While the percentage of small business customers with solar will be small, rebalancing towards fixed charges now could prevent future, larger impacts to small businesses if/when more small business customers have solar panels.

Our decision to accept CPU's proposal is consistent with previous decisions. For example, we have accepted Ausgrid's ongoing rebalancing to gradually reduce the proportion of

²⁹ Per 2025–26 approved annual pricing models.

³⁰ NER, cl.6.18.5(g).

³¹ CitiPower, *Information Request #077 – Small business fixed charges*, February 2026, p. 1; Powercor, *Information Request #078 – Small business fixed charges*, February 2026, p. 1; United Energy, *Information Request #067 – Small business fixed charges*, February 2026, p. 1.

residual costs recovered from non-peak energy charges (off-peak and shoulder charges) in all its tariffs and increase the proportion recovered from fixed, demand and capacity charges.³² Monitoring the efficient allocation of residual costs between tariffs and tariff components and their impact on customers will be an ongoing point of focus in our assessment of future tariff structure statements.

13.4.2 Two-way tariffs (proposed for residential customers only)

Our final decision is to approve CPU's proposed residential two-way ('CER' ('consumer energy resources')) tariffs. We consider CPU adequately responded to our draft decision requirements and that CPU's two-way tariffs comply with the pricing principles and other applicable requirements.³³

Our draft decision

Our draft decision did not approve CPU's proposed two-way tariffs as they did not comply with all requirements in the NER. We required CPU to make the following changes in their revised tariff structure statements:³⁴

- recalculate their export LRMC over a minimum 10-year period – include further explanation of the forecasted avoidable costs that support export services which were included or not included in export LRMC calculations (per NER cl 6.18.5(f)) (the LRMC calculation is considered in section 13.4.6 of this final decision).
- provide additional justification for their proposed 1kWh/day basic export level³⁵ – specifically, we considered that CPU did not provide enough information to allow us to have regard to the basic export levels having been set by CPU having regard to NER cl.11.141.14(b)(1)(i).³⁶

We also encouraged CPU to:³⁷

- include further information on the explicit justifications for two-way pricing within their export tariff transition strategies (as was included in their broader regulatory proposal)
- provide additional bill impact analysis which demonstrates the explicit incentives for customers to opt-in to the two-way tariffs (i.e., the export/consumption behaviour required to be materially better off compared to other tariff offerings)

³² Ausgrid, *Tariff Structure Statement Compliance Document 2024-29 - Clean*, April 2026, p. 11.

³³ We assess two-way tariffs largely the same way as we assess consumption-based tariffs. However, there are additional clauses in the NER that we are required to consider when assessing two-way pricing tariffs. In particular, for each proposed export tariff, distributors must provide a basic export level or the manner in which the basic export level will be determined (NER cl. 11.141.13(a)(1)).

³⁴ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, p. 29.

³⁵ The basic export level is the amount of electricity a customer can export to the network without incurring a charge. The AEMC required that distributors include a basic export level in all export tariffs for 2 regulatory periods from its final determination, see NER, cl. 11.141.12 and AEMC, *Access, pricing and incentive arrangements for distributed energy resources, Final Determination*, August 2021, p. 101.

³⁶ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy distribution determination 2026-31*, September 2025, p. 36.

³⁷ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, p. 29.

- consider including in the revised tariff statement further bill impact analysis which demonstrates the impact to customers from whom revenue is recovered to fund export rewards.

Our draft decision considered that CPU otherwise justified their need for two-way pricing and incorporated the customer protections required by the NER. We also considered that the other elements of CPU's proposed two-way tariff structure complied with the pricing principles.

CPU's revised tariff structure statements

Basic export level

All Victorian distributors, including CPU, retained in their revised tariff structure statements their initially proposed basic export levels of 1kWh/day, and provided additional information to support this.

CPU provided median network intrinsic hosting capacities per customer for each of their networks:

- CitiPower and United Energy – 8kWh/day³⁸
- Powercor – 7kWh/day³⁹

CPU considered that their basic export level of 1kWh/day was reasonable on the basis that:

- their residential two-way tariffs will be opt-in – CPU considered that their two-way tariff will still be attractive to customers with home batteries that are operated to respond to network price signals, that is, even with a low basic export level
- higher basic export levels would reduce the disincentive to export in the middle of the day
- stakeholders supported their 1kWh/day basic export level.⁴⁰

Additional justification for two-way tariffs provided in export tariff transition strategy

CPU explained that the Victorian distributors considered the following factors when developing their export tariff transition strategies (which included that opt-in two-way tariffs be introduced for the 2026–31 regulatory period):

- the capacity of CER is projected to grow substantially by 2035
- inadequate integration of CER could increase costs for all customers by necessitating network upgrades, driving higher peak demand, or undermining grid stability due to low minimum demand

³⁸ CitiPower, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 29; United Energy, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 29.

³⁹ Powercor, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 29.

⁴⁰ CitiPower, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 30; Powercor, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 30; United Energy, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 30.

- minimum demand challenges could also trigger the mandatory shutdown of exports through emergency backstop mechanisms.⁴¹

Stakeholder feedback

The Victorian Government supported two-way pricing, but encouraged AusNet and Jemena to incorporate seasonality in their two-way tariffs (similar to CPU's inclusion of seasonality).⁴²

AGL supported the introduction of two-way tariffs. AGL stated a preference for jurisdictional consistency across all Victorian distributors' two-way tariffs. AGL also recommended that clear and transparent communications should accompany all two-way tariffs to assist customer understanding.⁴³

AER's considerations

Our final decision is to approve CPU's two-way tariffs as we are satisfied that they comply with the pricing principles and other applicable requirements in the NER. We consider that CPU responded to our draft decision by providing the necessary information on basic export level analysis described above.⁴⁴

We consider that NER cl. 11.141.13(b)(1)(i) has now been satisfied. That is, as CPU provided sufficient information in its revised tariff structure statements for us to have regard to basic export levels being set having regard to network intrinsic hosting capacity. Our general assessment and consideration of the two-way tariff was covered in our draft decision.

CPU's flexible small tariffs, which the basic export level also applies to, are discussed in section 13.4.5 of this final decision.

We do not prescribe the approach a distributor should use to calculate network intrinsic hosting capacity. We consider that CPU has reasonably explained their approach (provided in their broader regulatory proposals)⁴⁵ and that the approach provides an acceptable estimate of what CPU considers their intrinsic network hosting capacity to be.

In making our decision, we consider that CPU's basic export levels align with elements of our *Export Tariff Guidelines*.⁴⁶ These considerations include:

⁴¹ CitiPower, *Tariff Structure Statement, Compliance Statement*, December 2025, p. 24; Powercor, *Tariff Structure Statement, Compliance Statement*, December 2025, p. 24; United Energy, *Tariff Structure Statement, Compliance Statement*, December 2025, p. 24.

⁴² Hon Lily D'Ambrosio MP, *Submission on Victorian electricity distribution proposals 2026-31*, January 2026, pp. 6-7.

⁴³ AGL, *Submission on Victorian electricity distribution proposals 2026-31*, January 2026, p. 3.

⁴⁴ NER cl. 11.141.13; NER 6.18.5(h); NER 6.18.5(f).

⁴⁵ CitiPower, *Regulatory Proposal 2026-31 Part B: explanatory statement, Revenue and expenditure forecasts*, January 2025, p. 27; Powercor, *Regulatory Proposal 2026-31 Part B: explanatory statement, Revenue and expenditure forecasts*, January 2025, p. 27; United Energy, *Regulatory Proposal 2026-31 Part B: explanatory statement, Revenue and expenditure forecasts*, January 2025, p. 27.

⁴⁶ Our *Export Tariff Guidelines* provide (non-binding) information and guidance about the process for distributor development and AER approval of two-way tariffs and basic export levels. Our *Export Tariff Guidelines* include other matters distributors may consider when setting the basic export level. AER, *Export Tariff Guidelines*, October 2024, pp. 18 – 19.

- **Jurisdictional consistency and feedback from stakeholders:** a 1kWh/day basic export level is consistent across all Victorian distributors, and both submissions on the revised two-way tariffs (from AGL and the Victorian Government) expressed a preference for jurisdictional consistency. CPU also stated that stakeholders at its third joint-Victorian distributor tariff workshop supported a 1kWh/day basic export level.⁴⁷
- **Customer impacts:** CPU's two-way tariffs are opt-in, and therefore exporters can avoid bill impacts by remaining on the default tariff.

13.4.3 Medium and large business customer tariffs

13.4.3.1 United Energy only – medium business customer tariffs

We accept United Energy's proposed approach to transition customers onto new medium customer tariffs by gradually increasing fixed charges.⁴⁸ We consider a gradual increase in fixed charges will assist affected customers to better manage the impact of this change, and that United Energy has adequately considered the customer impact pricing principle in NER cl. 6.18.5(h).

Our draft decision

Our draft decision had approved United Energy's proposal to split small and medium business customers by introducing medium business tariffs (tariffs for LV business customers consuming between 40 - 160MWh per annum). United Energy's proposed change was to align with CitiPower and Powercor, which already distinguish between small and medium business customers by attributing higher fixed charges to medium business customers. However, our draft decision required United Energy to include in its revised proposal, analysis of the bill impact for affected customers.⁴⁹ It also encouraged United Energy to undertake targeted engagement with medium business customers who would be impacted by new tariffs in the 2026–31 period.⁵⁰

United Energy's revised tariff structure statement

United Energy's revised tariff structure explanatory statement included the bill impact analysis our draft decision required. It indicated that 99% of affected customers would be worse off (6313 customers).⁵¹ On average, customers would be about \$1,200 worse off per annum. This is due to the medium business tariffs fixed charge being significantly higher than the small business fixed charges. Affected customers would go from currently \$170 per annum fixed charges⁵² to those more aligned with CitiPower and Powercor (around \$1,300 per annum, about 8 times higher), with no changes to variable charges. As a percentage of a

⁴⁷ CitiPower, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 30; Powercor, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 30; United Energy, *Tariff Structure Statement, Explanatory Statement*, December 2025, p. 30.

⁴⁸ United Energy, *Revised proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 49.

⁴⁹ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy distribution determination 2026-31*, September 2025, p. 38.

⁵⁰ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy distribution determination 2026-31*, September 2025, p. 42.

⁵¹ United Energy, *Revised proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 49.

⁵² Per 2025–26 approved annual pricing models.

medium customer's total bill this varies, because total network charges for customers vary from \$5,000 - \$20,000 per annum.⁵³ In recognition that approximately 36% of affected customers could be materially worse off⁵⁴ (worse off by 20% or more) if the increase in fixed charges were passed on in one step, United Energy proposed to gradually increase the fixed charges over the 2026–31 period to reduce the annual bill impact to approximately \$240 per annum on average (or about a 5% increase to the total network bill for the most affected customers - those with lower usage charges).⁵⁵

Stakeholder feedback

We received no submissions on United Energy's proposed introduction of medium business customer tariffs.

AER's considerations

We acknowledge that most customers will be worse off from this change. However, we also acknowledge that many distributors, including CitiPower and Powercor, already distinguish between small businesses and medium businesses, and attribute higher fixed charges to the higher consuming business customers. This change would better align United Energy's medium business fixed charge recovery to that of CitiPower's and Powercor's. We therefore accept United Energy's reasoning for introducing medium customer tariffs (to align tariff offerings and residual cost recovery across CPU), and accept that they have mitigated adverse impacts with their proposal to gradually increase the fixed charge. However, we note that no stakeholders provided submissions on this, and it is not clear on the information provided what targeted engagement United Energy has undertaken to communicate impacts to materially affected customers. We encourage United Energy to undertake meaningful engagement with affected customers, particularly because customers cannot mitigate increases to fixed charges through behaviour change.

13.4.3.2 Large LV customer tariffs – rolling demand charge

Our final decision is to amend CPU's revised tariff structure statements to remove the 120kVA minimum chargeable demand requirement from the rolling demand component of CPU's large LV customer tariffs. CPU agreed to remove the minimum chargeable demand component as they consider it is no longer required because of changes to CPU's large LV tariff assignment policies. This amendment ensures that customers who have supply capacity of <120kVA are not be adversely impacted, in consideration of NER cl. 6.18.5(h).

Our draft decisions approved CPU's large LV tariffs and tariff assignment policies. This included approving CPU's proposal to remove the >120kVA demand threshold for access to large LV tariffs and replace it with a >160MWh per annum consumption threshold.

CPU made no changes to their large LV tariff structures or assignment policies in their revised tariff structure statements. However, a stakeholder submission raised concerns about CPU retaining a minimum chargeable demand of 120kVA for the rolling demand

⁵³ United Energy, *Revised proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 48.

⁵⁴ United Energy, *Information request #079 – Medium business tariffs*, March 2026, p. 1.

⁵⁵ United Energy, *Revised proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 49.

component of their large LV tariffs despite removing the 120kVA demand threshold to access the tariff. The submission noted that there would be customers that consume >160MWh per annum, and have supply capacity significantly less than 120kVA, but would be charged a minimum 120kVA rolling demand charge.⁵⁶

In response to information requests, CPU proposed to remove the minimum chargeable demand from their large LV tariffs. They agreed that there are customers who consume >160MWh per annum but have supply capacity <120kVA, and that retaining a minimum chargeable demand component of the tariff would be not reflect efficient cost recovery from those customers.⁵⁷ We accept that retaining the minimum chargeable demand component would not reflect efficient cost recovery from those customers.

13.4.4 Individually calculated / site-specific tariffs

We continue to accept CPU not offering site-specific/individually calculated tariffs to non-storage large customers. However, we encourage CPU to consider introducing tariff trials that explore the value of site-specific tariffs for non-storage customers during the 2026–31 period.

Our draft decisions *encouraged* CPU to propose individually calculated tariffs for non-generation large customers, such as data centres. However, our draft decision also accepted CPU's rationale for not introducing them, which included that data centres cannot shift their behaviour.⁵⁸ CPU also explained that they rely on connection processes to provide incentives for large customers to connect in areas with lower costs of network augmentation, rather than relying on network tariffs.⁵⁹ While we continue to accept CPU's rationale, which is unchanged between its initial and revised tariff structure statements, we encourage CPU to consider trialling individually calculated tariffs over the 2026–31 period. This is particularly because AusNet and Jemena will offer individually calculated tariffs that encourage large customers to connect to areas of the network with spare capacity, and the increase in prospective data centre developments.

13.4.5 Flexible connection (storage / generation) tariffs

Our final decision is to approve CPU's flexible connection tariff structures and assignment policies. We consider that CPU's flexible connection tariffs comply with the pricing principles and other applicable requirements of the NER.

⁵⁶ Barwon Water, *Submission on Powercor electricity distribution proposal 2026-31*, January 2025, p. 1. This submission was made in relation to Powercor's tariff structure statements but is relevant to CitiPower and United Energy as well.

⁵⁷ CitiPower, *Information request #075 – Revised proposal TSS clarifications*, January 2026, p.1; Powercor, *Information request #076 – Revised proposal TSS clarifications*, January 2026, p.1; United Energy, *Information request #065 – Revised proposal TSS clarifications*, January 2026, p.1.

⁵⁸ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, p. 42.

⁵⁹ CitiPower, *Information request #060 – Revised proposal TSS clarifications*, January 2026, p. 4; Powercor, *Information request #062 – Revised proposal TSS clarifications*, January 2026, p. 4; United Energy, *Information request #055 – Revised proposal TSS clarifications*, January 2026, p. 4.

Our draft decision

Our draft decision approved CPU's 3 (9 in total) proposed flexible connection tariffs *structures*. However, we required CPU to:⁶⁰

- provide further justification on their 1kWh per day basic export level (in accordance with NER cl. 11.141.13(b)(1)(i))
- provide further supporting information on flexible connections, including how CPU may apply their discretion and the connection process (to enable flexible connection tariffs to be able to be better understood by customers or incorporated into retail offers in accordance with NER cl. 6.18.5(i).

CPU's revised tariff structure statements

CPU's revised tariff structure statements retain their originally proposed 3 flexible connection tariffs (LV, high voltage (HV) and sub-transmission).⁶¹ Their initially proposed tariff assignment policies have also been retained – flexible connection tariffs would be the default tariff for customers who enter into a flexible connection agreement with CPU, but customers would be able to opt-out to the equivalent large business tariff.

CPU responded to our draft decision by:

- including electro-thermal energy in the scope of 'flexible connections', which already included any battery or stand-alone storage, loads combined with storage and hydrogen production⁶²
- explaining why further detail of connection fees has not been included in revised tariff structure statements - because the majority of the connection process is negotiated and flexible connections are evolving and tailored to the individual customer^{63,64}
- broadening their definition of 'flexible connection' to "*flexible connection is import and/or export management actioned through connection agreements such as an agreement to*

⁶⁰ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, p. 43.

⁶¹ As discussed in AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, p. 43.

⁶² CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement Compliance Document*, December 2025, p. 22; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement Compliance Document*, December 2025, p. 22; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement Compliance Document*, December 2025, p. 22.

⁶³ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56.

⁶⁴ CitiPower, *Information request #060 – Revised proposal TSS clarifications*, January 2026, pp. 2-3; Powercor, *Information request #062 – Revised proposal TSS clarifications*, January 2026, pp. 2-3; United Energy, *Information request #055 – Revised proposal TSS clarifications*, January 2026, pp. 2-3.

*be connected to and potentially controlled by [CPU's] systems or an agreement to limit imports and/or exports under certain network conditions*⁶⁵

- retaining some discretion on eligibility for these tariffs. We understand that this is because CPU does not want to restrict the types of customers who could access these tariffs while flexible connections are evolving.⁶⁶

Stakeholder feedback

AGL's submission encouraged CPU to move from year-round capacity charges to fixed charges, similar to Jemena's storage tariff. This is because larger battery systems connecting to CPU's proposed flexible connection tariffs would be subject to a higher annual network charge than in other jurisdictions in Victoria, regardless of their behaviour.⁶⁷

AER's considerations

We consider CPU responded to the draft decision by clarifying ambiguities in their initial tariff structure statements around their discretion and flexible connections. We note AGL's preference for fixed charges instead of CPU's year-round rolling demand charges. However, rolling demand / capacity charges are an accepted charging parameter for scaling recovery of residual costs in business tariffs and are used by other jurisdictions (for example, in Evoenergy's approved storage tariffs). Further, CPU explained that the contribution of flexible connections to residual costs is reduced (compared to non-flexible load customers) because they are subject to demand management.⁶⁸

We acknowledge that flexible connections are in early development and encourage CPU to publish transparent information on connections and fees for flexible connections as they develop.

We note that we have also amended CPU's revised tariff structure statements at their request, to clarify when customers on the Small Flexible and Large Flexible tariffs will face off-peak charges. The amendments clarify that off-peak charges for these tariffs apply to all times other than during the peak import period of 4pm – 9pm.

13.4.5.1 Network support payments for flexible load and other customers

Our final decision is to accept CPU's approach to offering payments for customers who provide network support (network support payments).

⁶⁵ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56. The definition was previously "Flexible connection is demand management actioned through connection agreements such as an agreement to be controlled by our distribution energy resource management system (DERMS)."

⁶⁶ CitiPower, *Information request #060 – Revised proposal TSS clarifications*, January 2026, pp. 2-3; Powercor, *Information request #062 – Revised proposal TSS clarifications*, January 2026, pp. 2-3; United Energy, *Information request #055 – Revised proposal TSS clarifications*, January 2026, pp. 2-3.

⁶⁷ AGL, *Submission on Victorian electricity distribution proposals 2026-31*, January 2026, p. 2.

⁶⁸ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, pp. 56 - 57; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, pp. 56 - 57; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, pp. 56 - 57.

Our final decision on the Victorian distributors' 2021–2026 tariff structured statements clarified that the portion of a battery or storage asset, whether distributor-owned or privately-owned, providing network support services is exempt from network tariffs.⁶⁹ Our draft decisions on the Victorian distributors' 2026–31 tariff structure statements did not discuss network support exemptions. However, changes to AusNet's revised tariff structure statement on this issue lead us to consider tariff exemptions for storage holistically across all the Victorian distributors.

CPU's revised tariff structure statements

The Victorian distributors have maintained offering payments to the proportion of storage that provides network support, although with different approaches in their proposed 2026–31 tariff structure statements. CPU's approach is different to what was approved in 2021–26 tariff structure statements. Over the 2021–26 period CPU tested, through tariff trials, how network support tariff exemptions might work in practice. Following on from these trials, CPU's initial and revised 2026–31 tariff structures removed text on network support exemptions from their 2021–26 tariff structure statements. Instead, CPU proposed to offer network support payments directly to the customer (payments outside the remit of network pricing)⁷⁰ where:

- customers enter into a network support agreement with CPU
- customers are located in areas where the network is constrained. Prospective customers can use CPU's Pico Flex market place which signals the network support payment in locations where there is a looming network constraint.⁷¹

The network support agreement and payment are negotiated outside a connection agreement.⁷² However, network support agreements/payments work in tandem with connection agreements.

Stakeholder feedback

AGL submitted that network support payments would only be awarded for deferred augmentation.⁷³ This is in the context of AGL's view that larger battery systems connecting to CPU's proposed flexible connection tariffs would be subject to a higher annual network charge than in other Victorian jurisdictions, because they would face rolling demand charges rather than fixed charges.

⁶⁹ AER, *Attachment 19 – Tariff structure statement Final – Decision – AusNet, CitiPower, Powercor, United Energy and Jemena 2021-26*, April 2021, p. 18.

⁷⁰ CitiPower, *Information Request r #060 - Revised proposal TSS clarifications*, January 2026, p. 6, Powercor, *Information Request #062- Revised proposal TSS clarifications*, January 2026, p. 6, United Energy, *Information Request #055 - Revised proposal TSS clarifications*, January 2026, p. 6.

⁷¹ CitiPower, *Information request #050 TSS*, January 2026, p. 4; Powercor, *Information request #054 – TSS*, January 2026, p. 4; United Energy, *Information request #047 – TSS*, January 2026, p. 4.

⁷² CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 55; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56.

⁷³ AGL, *Submission on Victorian electricity distribution proposals 2026-31*, January 2026, p. 3.

AER's consideration

We consider that CPU has sufficiently explained how it will offer payments for network support. CPU's approach will continue to ensure equal treatment and benefits for privately-owned and distributor-owned storage that provide network support, comparable to network tariff exemptions for providing the service. This approach is also consistent with our expectation that all storage customers, irrespective of ownership, face network tariffs for the proportion of the technology that provides services other than network support. We acknowledge AGL's submission, and understand that CPU's threshold to meet a network support agreement might be high, and require the customer to offer support with high reliability.⁷⁴ However, we note that storage customers that enter into flexible connection agreements with CPU would benefit regardless of whether they can access a network support payment. CPU offers a benefit to customers entering into flexible load connections with lower connection charges and lower contribution to residual charges for allowing CPU to place operational constraints on them.⁷⁵

13.4.6 Long run marginal cost methodology

Our final decision is to approve CPU's method of LRMC calculation. We consider that tariffs based on the revised LRMC calculations now comply with pricing principles under NER cl. 6.18.5(f).

Our draft decision

Our draft decisions required CPU (and other Victorian distributors) to calculate the LRMCs for their import and export services using forecasts based on at least a 10-year period. We also required CPU to provide additional explanation of the forecast avoidable costs that support export services, forecast expenditure and the underlying forecast demand driving incremental expenditure for both import and export services.

We encouraged CPU to consider refinements/alternatives to the average incremental cost (AIC) method for calculating their LRMCs and to explain why their proposed approach, compared to the costs and benefits of alternative approaches, adequately captures the LRMCs of their networks.

CPU's revised tariff structure statements

CPU responded to our draft decisions by increasing the time period from 5 to 10 years in their revised tariff structure statements, for:

- demand driven capital expenditure (capex) forecasts for both import and export services
- forecast cumulative growth in demand for both import and export services.

⁷⁴ CitiPower, *Information request #075 – Revised proposal TSS clarifications*, January 2026, p. 1; Powercor, *Information request #076 – Revised proposal TSS clarifications*, January 2026, p. 1; United Energy, *Information request #065 – Revised proposal TSS clarifications*, January 2026, p. 1

⁷⁵ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 56; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 57; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement*, December 2025, p. 57.

For the underlying forecast demand driving incremental expenditure, CPU outlined their demand forecasting methodologies in the Blunomy detailed demand forecasting methodology.⁷⁶

CPU explained that the capex forecasts for the first 5 years for both import and export services are based on the proposed capex expenditure included in the regulatory proposal for the upcoming regulatory period, with additional information provided in Chapter 3 of the revised regulatory proposals.^{77, 78} For the second 5 year period, the capex forecasts for import services were estimated by the businesses based on an assumption that import demand for the 2031–36 period will increase at the same rate as the 2026–31 period forecast. For export services, CPU assumed that there will be no export-driven augmentation expenditure due to the increased number of home batteries and the increased number of electric vehicles and electric hot water systems using solar.

CPU retained the AIC approach to calculating LRMC in their revised tariff structure statements. CPU acknowledges that there are more complex methods to calculate LRMC that can be more accurate but consider that the uncertainty of the forecast inputs are likely to substantially outweigh the benefits.⁷⁹ Further, they considered that the AIC approach is appropriate because it is commonly used by other distribution networks and it utilises the demand and cost forecasts that underpin the regulatory proposal.

Stakeholder feedback

We received no submissions on the Victorian distributors' approach to calculating LRMC.

AER's considerations

We consider that CPU have adequately responded to our draft decision requirements by increasing the period of capex and demand forecasts included in their LRMC calculations to 10 years and by providing the required additional information on their forecasts and approach. However, we encourage CPU to improve their LRMC methodologies in future tariff structure statements, including through consideration of refinements or alternatives to the AIC method used, consideration of changes occurring in the energy sector that increase the utility (value) of marginal and locational price signals, and consideration of the costs and benefits of its chosen method for calculating LRMC. In encouraging improvements to CPU's LRMC methodologies, we make observations on the rationale for LRMC-based pricing, the benefits of it and why we consider distributors are well-placed to refine their methods of calculating LRMC.

⁷⁶ CitiPower, *Attachment 2.03 – Blunomy – Detailed demand forecasting methodology*, January 2025; Powercor, *Attachment 2.03 – Blunomy – Detailed demand forecasting methodology*, January 2025; United Energy, *Attachment 2.03 – Blunomy – Detailed demand forecasting methodology*, January 2025.

⁷⁷ CitiPower, *Tariff Structure Statement 2026-31 - Explanatory Statement*, December 2025, p. 65; Powercor, *Tariff Structure Statement 2026-31 - Explanatory Statement*, December 2025, p. 66; United Energy, *Tariff Structure Statement 2026-31 - Explanatory Statement*, December 2025, p. 66.

⁷⁸ CitiPower, *Revised Proposal 2026-31*, December 2025, pp. 27–38; Powercor, *Revised Proposal 2026-31*, January 2025, pp. 26–43; United Energy, *Revised Proposal 2026-31*, January 2025, pp. 26–33.

⁷⁹ CitiPower, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement* December 2025, p. 65; Powercor, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement* December 2025, p. 66; United Energy, *Revised Proposal 2026-31, Tariff Structure Statement, Explanatory Statement* December 2025, p. 66.

LRMC is a calculation of forward-looking costs, measured over a period of time sufficient for all factors of production to be varied. It represents the cost of meeting an incremental increase (or decrease) in demand over the long term, for example, accounting for any increased network augmentation required to meet additional electricity demand over a period of 10 years or greater. When they are passed through by retailers, LRMC-based price signals provide a relatively predictable and stable incentive for consumers who are willing and able, to utilise the network more efficiently. Efficient utilisation in turn helps to reduce future network costs, as it reduces the need for additional network capacity and/or the amount of network infrastructure that needs to be maintained. For the past 3 rounds of tariff structure statements, distributors have based their import tariffs on the LRMCs of providing the related service, as required under the NER. The NER requires that the method used by distributors to calculate LRMC have regard to the costs and benefits associated with calculating, implementing and applying that method as proposed.⁸⁰

When tariffs incorporate signals on the marginal, or forward-looking, cost of increasing (or decreasing) demand, consumers can make informed decisions about their electricity usage – decisions that reflect the cost to the network of how and when they use electricity. Under such tariffs, customers who are willing and able to shift load could decrease their use of the network at times the network is constrained and increase it at times of lower network constraints. This reflects that for their flexible load, such customers value energy use at times of network constraint lower than the cost at that time, and are willing and able to shift some energy use to lower cost times. This behaviour provides the signals to distributors to invest (or not invest) in additional capacity to accommodate an increasing (or decreasing) peak load, to the extent that customers in aggregate value it. LRMC signals enable distributors to shape demand profiles permanently through purchasing decisions that allow for load reduction or load shifting and for long-term energy use patterns. For example, hot water load control tariffs with cheaper rates have been demonstrated to be effective and accepted by consumers over many decades.

After distributors have allocated their LRMCs to times of peak use, they also need to recover their residual costs (costs that are not forward-looking). Distributors allocate residual costs across tariff charging parameters in a way that minimises distortions to the price signals for efficient use of the network, price signals that have been determined based on LRMC and reference to customer impacts, simplicity, stakeholder preferences, and cost recovery stability. As a result of this combined approach of utilising both LRMCs and residual costs, LRMCs are not the sole determinant of price levels at peak times.

The Victorian distributors have used a simple LRMC methodology that is relatively low cost to apply – the AIC method. We have accepted this method over all past tariff structure statement rounds and multiple distributors because we have considered that the costs of more refined LRMC methods have not outweighed the benefits. Our considerations include that LRMCs have not been the sole determinant of the price level of a tariff charging parameter at peak times, which limits the benefit that could be derived from higher cost LRMC methods. The use of simple and relatively low cost LRMC methods has represented an acceptable balance between the costs and benefits of alternative LRMC methods.

⁸⁰ NER, cl. 6.18.5(f).

However, for all 3 rounds of tariff structure statements, we have still encouraged all distributors to consider refinements or alternatives to the AIC method to determine import and export LRMC. Some distributors have made incremental improvements. Ausgrid for example used a combined approach in its 2024–29 tariff structure statement, using the AIC method for import services in areas of the network where demand was rising and a perturbation approach for areas of the network where demand was falling.⁸¹ CPU also made improvements in their 2021–26 tariff structure statement when they applied a marginal incremental cost method, which we commended, but then reverted to the simpler AIC method for this 2026–31 period.⁸²

Over this third reset and looking ahead to the fourth reset, increasing CER take up and Victoria’s existing near 100% smart meter penetration means there will be increased flexible load and distributed supply that can respond to more complex price signals. In this new environment, more accurate marginal and locational price signals and calculations have increased value, including by incentivising more efficient orchestration of CER. They can be used by distributors to assess the value and set the price for flexible use of the network and signal this to retailers, aggregators and consumers. The Victorian distributors have demonstrated this themselves in setting their export charges at their calculated export LRMCs and the reward for exports in the evening peak at about the level of their import LRMCs.

We consider that these developments that have occurred in the energy industry, which allow increased flexible load and distributed supply that can respond to more complex price signals (plus the more complex price signals themselves), have increased the benefits of using a more sophisticated estimation method such as a refined version of the AIC method or the Turvey (perturbation) method for either the entire network or at least specific parts of a network. This shifts the balance of costs and benefits that distributors are required to assess in selecting their LRMC method. Our expectation is that all distributors will make improvements to their LRMC methods in future resets.

As we turn our minds to the fourth round of tariff structure statements, we expect distributors to consider the costs and benefits associated with alternative methodologies to explain their decisions on LRMC methods and how it reflects the network needs at that time. This also applies to the accuracy, relevancy and detail of the inputs to LRMC calculations.. This is particularly important for those inputs that are required to be included in the calculations to ensure that it is considered long-run but that extend beyond the proposed regulatory period.

13.4.7 Type 7 and Type 9 metered tariffs

Our final decision is to approve CPU’s ‘type 7 and type 9’ metered tariffs as we consider CPU have adequately responded to our draft decision requirements.

⁸¹ Ausgrid, *Revised proposal – Att. 8.1 - Tariff Structure Statement compliance document 2024–29*, November 2023, p. 9.

⁸² CitiPower, *Revised Regulatory Proposal – 2021-26 – APP06 – Tariff Structure Statement*, December 2020, p. 20. Powercor, *Revised Regulatory Proposal – 2021-26 – APP06 – Tariff Structure Statement*, December 2020, p. 20. United Energy, *Revised Regulatory Proposal – 2021-26 – APP06 – Tariff Structure Statement*, December 2020, p. 20.

Our draft decision required CPU to further consider how they had factored the AEMC's *National Electricity Amendment (Unlocking CER benefits through flexible trading)* Rule 2024 (the Rule change)⁸³ into their 'type 7 and type 9 meter' tariffs. This included a requirement that CPU considered the implications of expanding the availability of previously named 'unmetered supplies' tariffs (type 7 metered tariffs) to type 9 metered load.⁸⁴ An explanation of the difference between type 7 and type 9 meters and a background on the rule change can be found in our draft decision.⁸⁵

CPU responded to our draft decision by clarifying that these tariffs would be available to all type 7 metered load, public lighting and type 9 metered loads up to 5MWh per annum. They also explained that type 9 metered load that wouldn't be eligible for this tariff would be assigned to the equivalent small, medium or large business tariff.⁸⁶ We consider CPU have:

- included sufficient information on the policies and procedures that apply to assigning customers to this tariff according to NER cl. 6.18.1A
- to the extent that principles governing tariff class assignment can apply where a tariff class is inferred because of eligibility (like in this case), have had regard to the factors listed in NER cl. 6.18.4(a)(1) (including the nature and extent of usage and the metering technology installed).

For more information on type 9 meters see Attachment 11 (Service Classification) and attachment 15 (Metering).

⁸³ The AEMC's *National Electricity Amendment (Unlocking CER benefits through flexible trading)* Rule 2024 created 3 new meter types, including type 9 meters. Type 9 meters (currently and in the future) are for unmetered supply where the connected device has the capacity to measure and report the energy it consumes or exports. This could apply to 'smart' streetlighting and could also apply to kerbside EV charging.

⁸⁴ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, pp. 52-53.

⁸⁵ AER, *Attachment 13 – Tariff Structure Statements – Draft Decision – CitiPower, Powercor and United Energy 2026-31 distribution determination 2026-31*, September 2025, pp. 52-53.

⁸⁶ CitiPower, *Revised proposal 2026-31 - Tariff structure statement*, December 2025, p. 21; Powercor, *Revised proposal 2026-31 - Tariff structure statement*, December 2025, p. 21; United Energy, *Revised proposal 2026-31 - Tariff structure statement*, December 2025, p. 21.

A Tariff trials

The 5 Victorian distributors notified us of kerbside EV tariff trials (or sub-threshold tariffs⁸⁷) to commence in 2026/27. The AER does not have a role in approving tariff trials.

There are some similarities between the trials, but structures and prices vary between the distributors. AusNet's and Jemena's trials are based on their residential CER/export tariffs, while CPU's are based on a combination of their residential CER tariff and default time-of-use tariffs. Elements of these trials that align across Victoria include:

- eligibility of these trial tariffs is limited to alternating current (AC) kerbside chargers with supply capacity < 44kW
- all the trials have 1kWh/day solar soak charges to encourage daytime charging.

Notably, all 5 tariff trials have concessional elements compared to the residential tariffs on which they are based. These concessional elements include \$zero fixed charges and export rewards (a feature in all 5 trials), no export charges (featured in the trials in AusNet's and CPU's networks) and peak consumption charges which are half of the equivalent standard residential tariff (featured in the trials in CPU's networks).

Further, the distributors have limited the eligibility for the trials to AC kerbside chargers. Their rationale is because AC chargers are typically located in residential areas and it is in residential areas that the networks experience the excess daytime solar exports that the solar soak charges of the tariffs are targeting. In contrast, larger chargers such as direct current (DC) chargers are typically located on highways and have larger load that is not appropriate for these tariff structures, including because those locations don't have the same excess solar supply apparent in residential areas of the network.

Stakeholder submissions generally support EV tariff trials but advocated for their eligibility to be broadened. Nexa Advisory supported dedicated EV tariff trials but submitted that the AER should mandate distributors to accelerate and broaden eligibility for the notified trials. It also supported dynamic and critical peak price tariffs but recommended that the AER pursue measures to reduce exposure of EV load to demand charges.⁸⁸ Similarly, Evie Networks' submission supported accelerated dynamic and critical peak pricing, a move away from demand tariffs for EV charging load and broadened eligibility for these tariff trials. It also advocated for consistency in tariff structures for EV charging load.⁸⁹ AGL's submission supported the trials, but recommended eligibility is broadened to ensure technological neutrality and sought commitments by distributors to consider trials for other EV load during the 2026–31 period.⁹⁰ The Victorian Government submitted that the AER should reject these tariff trials in their current form because they are not consistent with the NER and discriminate against other users. It did, however, support ambitious EV tariffs and trials more

⁸⁷ NER cl. 6.18.1C.

⁸⁸ Nexa Advisory, *Submission on Victorian Electricity distribution proposals 2026-31*, January 2026, pp. 7-10.

⁸⁹ Evie Networks, *Submission on Victorian Electricity distribution proposals 2026-31*, January 2026, pp. 3-6.

⁹⁰ AGL, *Submission on Victorian electricity distribution proposals 2026-31*, January 2026, p. 3.

generally, calibrated to different load profiles, and supported engagement on this between the AER, distributors and the EV industry.⁹¹

Tariff trials are not required to comply with the pricing principles for direct control services (the pricing principles) per NER cl. 6.18.1C(b)(1), although they often do. In contrast to tariffs submitted in a tariff structure statement, tariff trials are not assessed or approved by us. Rather, they are *notified* to us according to cl. 6.18.1C(a). Accordingly, and as long as they fall under revenue threshold limits when reported in annual pricing proposals, the AER cannot amend or remove them.

If the Victorian distributors were to propose these trials as full tariffs in their tariff structure statements for the 2031–36 regulatory period, we would then assess them against the pricing principles and other applicable requirements of the NER.

Tariff trials are often concessional in nature to encourage sufficient uptake to test tariff innovations. However, it is not the role of tariff trials to provide industry support, nor to facilitate a lower contribution to network cost recovery for one subset of customers relative to other customers with similar connection and load characteristics. We otherwise support scalable future tariff trials aimed at EV charging load and that test what network tariff structures best signal the benefits and costs those loads may impose on networks.

Victorian distributors can notify the AER of further tariff trials for implementation in later years of the 2026–31 period. Such notifications must be submitted 4 months ahead of the financial year in which they will be implemented (i.e. by the end of February for implementation from 1 July of the same year). We encourage the Victorian distributors to engage with retailers, the Victorian Government and the EV industry to develop trials, including dynamic and critical peak pricing trials, for a broader range of EV charging stakeholders during the 2026–31 period.

We acknowledge Evie Networks' submission supporting consistency in tariff structures for EV load. We note that there is broad consistency across the NEM already, whereby peaky load customers, including chargepoint operators, consuming ≤ 160 MWh per annum can opt-into a time-of-use tariff. We encourage the Victorian distributors, in their engagement, to consider whether further consistency is appropriate. However, we maintain that EV charging load that consumes > 160 MWh per annum can reasonably be considered capable of understanding and responding to price signals more complex than time-of-use tariffs.

⁹¹ Hon. Lily D'Ambrosio MP, *Submission on Victorian electricity distribution proposals 2026-31*, January 2026, pp. 7-8.

Shortened forms

Term	Definition
AC	alternating current
AEMC	Australian Energy Market Commission
Capex	capital expenditure
CCP32	Consumer Challenge Panel 32
CER	consumer energy resources
CPU	CitiPower, Powercor and United Energy
DC	direct current
DERMS	distribution energy resource management system
EV	electric vehicle
HV	high voltage
kVA	kilovolt-amps
kW	kilowatts
kWh	kilowatt-hours
LMRC	long run marginal cost
LV	low voltage
MW	megawatts
MWh	megawatt-hours
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
NPO	Network Pricing Objective
Opex	operating expenditure
