

# Final decision

CitiPower, Powercor and United Energy electricity  
distribution determinations

1 July 2026 – 30 June 2031

**Attachment 14 – Alternative control services**

**April 2026**

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## 14 Alternative control services

This attachment sets out our final decisions on prices CitiPower, Powercor, and United Energy (CPU) is allowed to charge customers for the provision of the following alternative control services: ancillary network services (ANS) and public lighting services. Our final decisions on metering services, which are also alternative control services, are set out separately in Attachment 15.

As the proposals from CPU for ANS and public lighting are largely similar, this attachment and the decisions and reasoning apply to all three businesses. Where there are differences in proposals, decisions or our reasoning we have explicitly set this out.

Alternative control services are customer specific, or customer requested services and so the full cost of the service is attributed to a particular customer, or group of customers, benefiting from the service.

We set service specific prices to provide a reasonable opportunity to the distributor to recover the efficient cost of each service from customers using that service. This is in contrast to standard control services where costs are spread across the general network customer base.

The final decision price lists can be found within the ANS and public lighting pricing models, consistent with our approach in the draft decisions. Specifically, in:

- AER – Standardised ANS model – Final decision – CitiPower distribution determination 2026-31 – April 2026
- AER – Standardised ANS model – Final decision – Powercor distribution determination 2026-31 – April 2026
- AER – Standardised ANS model – Final decision – United Energy distribution determination 2026-31 – April 2026
- AER - Public lighting PTRM - Final decision - CitiPower distribution determination 2026–31 - April 2026
- AER - Public lighting PTRM - Final decision - Powercor distribution determination 2026–31 - April 2026
- AER - Public lighting PTRM - Final decision - United Energy distribution determination 2026–31 - April 2026.

In the Standardised ANS models, refer to the ‘Final Decision – Labour’ and ‘Final Decision – Services’ tabs. In the public lighting PTRM, refer to the ‘AER Final Decision’ tab.

## 14.1 Ancillary network services

ANS are non-routine services provided to individual customers as requested. Our Framework & Approach (F&A) paper outlined several types of services that meet this broad definition.<sup>1</sup>

Networks charge customers for ANS on a user-pays basis, either through a fixed fee or a quoted price, depending on the nature of the service.

We determine price caps for fee-based services for the 2026–31 period as part of our determination, based on the cost inputs and the average time taken to perform each service. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty, such as disconnections and special meter reads.

By comparison, prices for quoted services are based on the quantities of labour and materials required, with the quantities dependent on a particular task. Prices for quoted services are determined at the time of a customer's enquiry and reflect the individual requirements of the customer's service request.

For this reason, it is not possible to list prices for quoted services in our decisions. However, our final decisions set the maximum labour rates to be applied to quoted services.

### 14.1.1 Final decisions

#### 14.1.1.1 Fee-based and quoted services

Our final decisions are to not accept CPU's revised proposal prices for ANS in the 2026–31 period as submitted. Based on our analysis and updated inputs, our final decisions:

- substitute CPU's proposed labour rates for business hours for the administrative officer, technical specialist and engineering manager with our slightly lower maximum labour rates
- update CPU's labour rates for all other labour categories, and prices, for year one of the 2026–31 period for actual inflation
- substitute CPU's nominal vanilla weighted average cost of capital (WACC) to calculate its tax recovery rate for its connection charges with our final decision WACC
- substitute CPU's proposed X factors with our final decision X factors, which reflect our updated labour price growth forecasts.

In terms of fee classification, our final decisions accept CPU's proposed reclassification of:

- reserve feeder maintenance from a quoted service to a fee-based service
- connection applications from a quoted service to a fee-based service.

Our final decisions ANS prices for 2026–31, and X factors, are set out in the final decision ACS fee based and quoted services models. Our final decisions ANS prices for the 2026–31

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<sup>1</sup> See AER, *Final framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31*, July 2024, p. 8. Our F&A paper outlined several types of services that can be considered as meeting this broad definition such as network ancillary services, basic connection services and non-routine metering services.

period are, on average, 0.9% higher for CitiPower, 0.6% lower for Powercor, and 0.9% higher for United Energy, relative to CPU's revised proposal ANS prices.

#### 14.1.1.2 Form of control for ancillary network services and X factors

Our final decisions are to maintain our final F&A position to apply price caps to ANS as the form of control.

Under a price cap form of control, we set a schedule of price caps for fee-based services and maximum labour rates for quoted services for the first year of the regulatory control period, 2026–27. For each year thereafter, we adjust the price caps and maximum labour rates for inflation, the X factor<sup>2</sup>, and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12 – Control mechanisms.

As ANS have a high share of labour and labour-related inputs, we use labour price growth forecasts as the ANS X factor. Consistent with our previous decisions, we derived the X factor by averaging wage price index growth forecasts from Deloitte (provided by the AER) and BIS Oxford Economics (provided by the distributor).<sup>3</sup>

Our final decisions X factors for ANS are set out in our final decision ACS fee based and quoted service models.<sup>4</sup> As noted above, they reflect our updated labour price growth forecasts.

#### 14.1.2 CPU's revised proposals

In its revised proposals, CPU updated its labour rates and prices for its fee-based services. To summarise, CPU:

- accepted the draft decisions reductions to its administrative officer, field worker, technical specialist, engineering manager labour rates to be at the AER's maximum efficient benchmark
- accepted the draft decisions to include first-year depreciation in its diminishing value method for calculating its tax recovery rate for its connection charges.
- updated its reserve feeder maintenance pricing models to include a four-year historical average in calculating its service cost (\$/kVA)
- updated its connection application service labels to address the draft decisions concerns regarding cross subsidisation

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<sup>2</sup> Under the CPI-X framework, the X factor can be a measure of the real rate of change in prices from one year to the next. For ANS, the X factor is the change in wage prices given that labour is the primary cost input for providing these services.

<sup>3</sup> For more detail on the reasons for this decision, see the discussion in section 3.3.2 of AER, *Attachment 3 - Operating expenditure - Final decision - CitiPower Distribution determination 2026-31*, April 2026; section 3.4.2 of AER, *Attachment 3 - Operating expenditure - Final decision - Powercor Distribution determination 2026-31*, April 2026; section 3.4.2 of AER, *Attachment 3 - Operating expenditure - Final decision – United Energy Distribution determination 2026-31*, April 2026.

<sup>4</sup> AER, *Standardised ANS model – Final decision – CitiPower distribution determination 2026-31*, April 2026; AER, *Standardised ANS model – Final decision – Powercor distribution determination 2026-31*, April 2026; AER, *Standardised ANS model – Final decision – United Energy distribution determination 2026-31*, April 2026.

- updated its labour rates and fee-based services for its labour price growth forecasts.<sup>5</sup>

Excluding the proposed service fee reclassifications not accepted in the draft decisions, the above updates by CPU in their revised proposals are, on average, a 0.1% decrease from the draft decisions and a 1.9% decrease from its initial proposals.

### 14.1.3 Assessment approach

The regulatory framework for assessing alternative control services is less prescriptive than for standard control services. That is, there is no requirement to apply the building block model exactly as prescribed in Part C of the National Electricity Rules (NER).

On this basis, our approach involves an assessment of the efficient costs of providing ANS. Labour costs are the major input in the cost build-up of prices for ANS. Therefore, our assessment largely focuses on comparing CPU's proposed labour rates against maximum total labour rates which we consider efficient.

Where CPU's proposed labour rates exceed our maximum efficient labour rates, we apply our maximum efficient labour rates to determine prices. We follow this assessment process for services provided on a fee or quotation basis.

We also consider relevant stakeholder feedback raised throughout the consultation process and benchmark CPU's proposed ANS prices against its prices for the 2021–26 period and the prices of other distributors.

### 14.1.4 Reasons for decisions

The reasons for our decisions on items other than as set out in the sections below are summarised in section 14.1.1. As outlined in that section, these include the mechanical updates to inflation, labour price growth forecasts, and where required the WACC, that we used in making our final decisions.

We did not receive any stakeholder feedback in relation to the proposed ANS prices and control mechanisms.

#### 14.1.4.1 Labour rates for administrative officer, technical specialist and Engineering Manager

Our final decisions do not accept CPU's proposed business hours labour rates for its administrative officer, technical specialist, and engineering manager labour categories. Labour rates for these categories very slightly exceeded the AER's maximum efficient benchmarks following the updates we made to inflation and the labour price growth forecasts used in the final decisions. Table 14-1 includes for these labour categories our maximum benchmark hourly labour rate (with these updates) and CPU's labour rates as included in the revised proposals.

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<sup>5</sup> CitiPower, *Revised Proposal 2026-31 - Revenue and expenditure forecasts*, December 2025, p. 65; Powercor, *Revised Proposal 2026-31 - Revenue and expenditure forecasts*, December 2025, p. 78; United Energy, *Revised Proposal 2026-31 - Revenue and expenditure forecasts*, December 2025, p. 60.

**Table 14-1 AER maximum benchmark and CPU’s proposed hourly labour rates for 2026–27 (business hours, including on-costs and overheads, \$2026–27)**

CitiPower, Powercor and United Energy’s labour category	AER Benchmark category	CitiPower labour rate escalated	Powercor proposed escalated	United Energy escalated	AER maximum labour rate
Administrative Officer	Admin	\$121.26	\$121.26	\$121.26	\$121.21
Technical Specialist	Technical Specialist	\$213.42	\$213.42	\$213.42	\$213.37
Engineering Manager	Engineering Manager	\$306.35	\$306.35	\$306.35	\$306.22

Source: CitiPower, *CP RRP MOD 6.08 - Standardised ANS model*, December 2025; Powercor, *PAL RRP MOD 6.08 - Standardised ANS model*, December 2025; United Energy, *UE RRP MOD 6.08 - Standardised ANS model*, December 2025; AER analysis.

As a result of the updates to our benchmark maximum labour rates, we do not accept CPU’s proposed labour rates for these labour categories as they are very slightly higher than our benchmark. We have substituted the proposed labour rates business hours for the administrative officer, technical specialist and engineering manager with our slightly lower maximum labour rate. These adjustments are consistent with our methodology as detailed in section 14.1.4.1 of the draft decisions.<sup>6</sup>

#### 14.1.4.2 Proposed reclassification of quoted services to fee-based services

CPU proposed to reclassify its reserve feeder maintenance service from quoted services to fee-based services and CitiPower and Powercor proposed to reclassify its connection application services from quoted services to fee-based services.<sup>7</sup> We have considered CPU’s revised proposals in response to our draft decisions (which sought further information), and are satisfied that there is sufficient evidence to support these reclassifications to fee-based services.

Our final decisions reflect CPU is currently costing and pricing both its reserve feeder maintenance and connection application services in advance (in effect as fee-based services) rather than being determined at the customers inquiry to reflect the customers individual requirements to perform the service. The limited instances of customer disputes for these services indicate that CPU’s current pricing approach is broadly accepted by customers. The proposed service fee reclassifications are therefore a reclassification of the naming of the fee structure rather than a substantive change to how customers are charged.

For its reserve feeder maintenance services, CPU’s proposals indicated that calculating actual feeder-specific maintenance costs on an annual basis for each reserve feeder is

<sup>6</sup> AER, *Attachment 14 – Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, pp. 6–9.

<sup>7</sup> CitiPower, *Revised Proposal 2026-31 - Revenue and expenditure forecasts*, December 2025, p. 65; Powercor, *Revised Proposal 2026-31 - Revenue and expenditure forecasts*, December 2025, p. 78; United Energy, *Revised Proposal 2026-31 - Revenue and expenditure forecasts*, December 2025, p. 60.

impractical and proposed to retain its standard fixed fee per kVA for its low voltage, high voltage and sub-transmission reserve feeders for the 2026–31 regulatory control period. However, CPU updated the pricing methodology to derive costs from four years of historically reported Regulatory Information Notices (RINs) (previously only one year had been used). CPU stated that they selected RIN data spanning 2021–22 to 2024–25 to mitigate the impact of year-to-year volatility of underlying costs while additionally providing a representative basis for estimating future network costs.<sup>8</sup> We consider its revised approach and data selection provide more robust rates relative to its initially proposed single year methodology.

This approach can cost charges in advance with reasonable certainty based on historical data and is therefore consistent with the charging principles of a fee-based service. Jemena currently provides its customers with a single fixed fee-based reserve feeder charge. CPU also advised that they had not received any customer disputes to date regarding this pricing approach for reserve feeder maintenance.<sup>9</sup> We consider that CPU's separate voltage categories also provide reasonable protection against potential cross-subsidisation.

Relative to 2025–26 prices, CPU's proposed prices for 2026–27 across low voltage, high voltage and sub-transmission will result on average in a 23.4% reduction for CitiPower, a 99.1% increase for Powercor, and an increase of 23.3% for United Energy. Following an information request, Powercor indicated it would reduce its high voltage rate to \$12/kVA (\$2023–24) to better align with CitiPower and United Energy's high voltage rate as this is representative of its pricing approach for 2025–26. Our final decisions have applied this discount to Powercor's ANS standardised model. This materially reduces the real price movements from 2025–26 to 2026–27, resulting in an average real price movement of 22.9% for Powercor's reserve feeder maintenance services.

We assessed the drivers of these real price movements. They are primarily driven by the inclusion of underground cable maintenance costs, allocated by underground network demand, as well as the application of overhead cost escalators. We consider the inclusion of the new cost components in its proposed reserve feeder models to be reasonable and consistent with cost recovery approaches applied across ANS. We consider that these price movements reflect a more complete and cost-reflective pricing approach rather than a fundamental shift in CPU's current approach.

We have also benchmarked CPU's proposed 2026–27 high voltage reserve feeder maintenance rates against Jemena's proposed reserve feeder maintenance fee-based rate. Jemena proposed in 2026–27 a single service fee for its high voltage customers at a rate of \$16.16/kVA.<sup>10</sup> By comparison, CitiPower (\$3.44/kVA), Powercor (\$13.58/kVA) and United

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<sup>8</sup> CitiPower, *CP ATT 11.02 - Ancillary network services*, January 2025, pp. 5-6; Powercor, *PAL ATT 12.02 – Ancillary Network Services*, January 2025, pp. 5-6; United Energy, *UE ATT 12.02 – Ancillary Network Services*, January 2025, p. 5.

<sup>9</sup> CitiPower, *Response to information request – IR078 – Service fee reclassification*, February 2025, Q7a; Powercor, *Response to information request – IR080 – Service fee reclassification*, February 2025, Q7a; United Energy, *Response to information request – IR069 – Service fee reclassification*, February 2025, Q1a.

<sup>10</sup> Jemena, *JEN - RP - Att 11-04M ACS Fee based and quoted services model*, December 2025.

Energy (\$8.03/kVA) all proposed rates below this benchmark.<sup>11</sup> On this basis, we consider that CPU's proposed high voltage rates benchmark reasonably well against Jemena's fee-based service.

Given that the service is already priced using a standardised average cost approach, our final decisions accept the proposed fee reclassification. We consider that CPU's revised pricing methodology to incorporate a historical average of reserve feeder maintenance costs provides a more representative, stable basis for estimating costs and prices and offers customers greater price certainty. Further, the additional charging components they have proposed are cost reflective. Our final decision applies prices based on the four-year averages from CPU's revised proposal reserve feeder maintenance models. We have made immaterial updates to reconcile inputs against the RINs, and applied Powercor's proposed discount to the high-voltage rate. These final decision prices are in our standardised ANS model.

For its connection application services, CitiPower and Powercor's revised proposals updated and added to their proposed connection application service descriptions / labels to better align with their internal connection categories and to address concerns raised in our draft decisions regarding potential customer cross-subsidisation. To support their proposals CitiPower and Powercor also provided the underlying labour times and tasks required from its administration and technical specialist for each connection application label.

While connection applications are currently classified as quoted services, we understand that in practice CitiPower and Powercor apply standardised labour times to derive charges, reflecting an average cost of the service rather than quoting customers based on the actual cost for each individual application. CitiPower and Powercor also indicated that proposed reclassification does not materially change pricing outcomes for customers. In response to our information request, CitiPower and Powercor stated that fewer than 0.1% of its total connection applications since 2023 resulted in complaints to the Energy and Water Ombudsman Victoria.<sup>12</sup> As their proposed pricing approach is consistent with fee-based pricing and has received an immaterial number of complaints, this suggests that the current pricing approach is accepted by customers and realignment to fee-based may be appropriate.

We have undertaken benchmarking of CitiPower and Powercor's "Connection application fee < 63kVA or <=5 lots" service, on the basis that comparable fee-based services are offered by other distributors. In doing so, we have considered the scope of services provided, including both administrative and design components, to ensure comparability. As outlined in Table 14-2, we find that the proposed fee benchmarks reasonably well against equivalent services across the NEM and are reasonably aligned with those offered by Ausgrid.

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<sup>11</sup> CitiPower, *CP RRP MOD 6.08 - Standardised ANS model*, December 2025; Powercor, *PAL RRP MOD 6.08 - Standardised ANS model*, December 2025; United Energy, *UE RRP MOD 6.08 - Standardised ANS model*, December 2025. Powercor's proposed high voltage rate has been calculated by applying its discounted high voltage rate (\$12/kVA, \$2023–2024) into its revised proposal model.

<sup>12</sup> CitiPower, *Response to information request – IR068 – Service reclassification*, December 2025, Q9; Powercor, *Information request – IR070 – Service reclassification*, December 2025, Q9.

**Table 14-2 NEM wide benchmarking of CitiPower and Powercor’s “Connection application fee < 63kVA or <=5 lots” (\$2026–27)**

<b>DNSP</b>	<b>Service Name</b>	<b>Service Category</b>	<b>Labour Category and Hours</b>	<b>Price (\$2026–27)</b>
CitiPower & Powercor	Connection application fee < 63kVA or <=5 lots	Connection Application Service	Administration – 180m Technical Specialist – 60m	\$572.23
Ausgrid	Technical assessment - Applications or relocations	Connection Application Service	Administration – 55.8m Engineer – 96m	\$549.09
Endeavour	Subdivision – URD – Underground – 1-5 lots	Connection Application Service	Administration – 240m	\$503.84
	Subdivision – URD – Underground – 1-5 lots	Design Related Service	Technical Specialist – 120m	\$385.12
Evoenergy	Design Fee – Basic Connections	–	Administration – 60m Engineer – 180m	\$852.90
Essential	Connection Application – Technical review	Connection Service Fee	Technical Specialist – 60m	\$253.84
	Establishment or New Connection	Connection Service Fee	Administration – 60m	\$129.03

Note: Endeavour and Essential Services connection applications consider individual administrative services and a technical design service which we have combined and assessed as a total in our benchmarking.

Source: CitiPower, *CP RRP MOD 6.08 - Standardised ANS model*, December 2025; Powercor, *PAL RRP MOD 6.08 - Standardised ANS model*, December 2025; Ausgrid, *2025-26 - Final - ACS pricing model*, March 2025; Endeavour Energy, *2025-26 - Final - ACS pricing model*, March 2025; Evoenergy, *(ED) 2025-26 - Final - ACS pricing model*, March 2025; Essential Energy, *2025-26 - Final - Alternate Control Services Pricing Model*, March 2025.

Further benchmarking against Ausgrid’s connection application services has demonstrated that CitiPower and Powercor’s proposed connection application price for embedded generation, abolishment and public lighting compare relatively well.

Our final decisions accept the proposed service fee reclassification for fee-based connection applications. We consider that CitiPower and Powercor’s proposed approach is reflective of fee-based pricing.

## 14.2 Public lighting

Public lighting services include the provision, construction and maintenance of public lighting assets. This definition includes new technologies such as energy-efficient light emitting diode

(LED) luminaires and emerging public lighting technologies such as smart-enabled luminaires.<sup>13</sup>

The main customers of public lighting services are local government councils and jurisdictional main roads departments.

There are a number of different tariff classes and prices for public lighting services. Factors influencing prices for a particular installation include which party is responsible for capital provision, and which party is responsible for maintaining and/or replacing installations.

### 14.2.1 Final decisions

Our final decisions do not accept CPU's revised proposal prices for public lighting services in the 2026–31 period as submitted. Based on our analysis we:

- accept CPU's proposed expenditure for replacing all non-LED major road lights with the LED equivalent lights by the end of the 2026–31 period (accelerated LED rollout)
- accept CPU's proposed approach to recover the costs of its accelerated LED rollout through the Accelerated Replacement Charge
- accept CPU's proposed expenditure for smart lighting for major road LED lights and targeted minor road lights such as school zones and pedestrian crossings
- accept CPU's proposal to create prices for its non-standard decorative lanterns (corncocks).

However, we have updated CPU's revised proposals to apply our final decision inputs on labour price growth forecasts, the WACC and inflation. These are updated, amongst other reasons, for consistency with other aspects of our final decisions on CPU's regulatory proposal (see section 14.2.4.9 where these updates are outlined). We applied these updated inputs into our public lighting models, resulting in minor adjustments to CPU's revised proposal public lighting prices.

We also note our final decision is to classify type 9 metering services requested by public lighting customers, and only public lighting customers, as alternative control services. These services will sit within the existing public lighting service group. This is set out in Attachment 11. This differs from CPU's revised proposals which proposed to classify type 9 metering services as negotiated services.

After consultation with CPU, we included new prices to enable CPU to recover the costs of testing type 9 meters over the 2026–31 period. As we discuss in section 14.2.4.6, this is an on balance decision and we consider these prices provide reasonable opportunity for customers to benefit from type 9 metering services and for CPU to recover the costs of providing type 9 metering services over the 2026–31 period. We expect to consider this issue, and prices, further as a part of the process for the 2031–36 regulatory period when based on more information than is currently available, prices should more closely reflect the costs of testing type 9 meters in each of the respective networks.

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<sup>13</sup> AER, *Final framework and approach - AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31*, July 2024, p. 36.

As set out in Attachment 12, our final decision is to maintain our final F&A position to apply price caps to public lighting as the form of control. Under a price cap form of control, we set a schedule of price caps for public lighting services for the first year of the regulatory control period, 2026–27. For each year thereafter, we adjust the price caps for inflation, the X factor,<sup>14</sup> and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12.

Our final decision public lighting prices for the 2026–31 period, including the X factors, are set out in the Final Decision Public Lighting post tax revenue models (PTRMs).<sup>15</sup> The prices for 2026–27 for most light types are:

- 0.4% higher compared to CitiPower’s revised proposal prices
- 0.4% higher compared to Powercor’s revised proposal prices
- 0.4% higher compared to United Energy’s revised proposal prices.

### 14.2.2 CPU’s revised proposals

CPU’s revised proposals accepted the changes in our draft decision models for photoelectric cells (PE cell) replacement cycles, labour rates, hourly rates for elevated platform vehicles and for more mechanical changes such as inflation. CPU’s revised proposal models also provided some updated inputs such as actual capex for 2024–25 and updated public lighting volumes.

In response to our draft decisions and their stakeholder consultation, CPU’s revised proposals proposed:

- to replace all non-LED major road lights with the LED equivalent lights by the end of the 2026–31 period. CPU proposed to recover the costs of the accelerated LED rollout through an Accelerated Replacement Charge<sup>16</sup>
- to rollout smart PE cells to existing LED major road lights and targeted LED minor road lights that lack smart cells currently (smart PE cell infill)
- new tariffs for LED lamps of non-standard decorative lanterns (corncob lamps).

From their consultation CPU found 64% of the respondents supported an accelerated LED rollout.<sup>17</sup> Of these, 79% wanted cost recovery to be targeted at the lights that are replaced, rather than smearing costs across all public lighting customers. CPU stated they accepted the consensus result of their consultation and proposed to replace all non-LED major road

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<sup>14</sup> Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next.

<sup>15</sup> AER, *Public lighting PTRM - Final decision - CitiPower distribution determination 2026-31*, April 2026; AER, *Public lighting PTRM - Final decision - Powercor distribution determination 2026-31*, April 2026; AER, *Public lighting PTRM - Final decision - United Energy distribution determination 2026-31*, April 2026.

<sup>16</sup> When replacing a legacy light with the equivalent LED, CPU would levy the Accelerated Replacement Charge on the customer until the end of the 2026–31, period along with the applicable LED charge.

<sup>17</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 4; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 4; United Energy, *UE RRP ATT 6.01 – Public lighting*, December 2025, p. 4.

lights with the LED equivalent lights by the end of the 2026–31 period.<sup>18</sup> CPU proposed to recover the costs of their accelerated LED rollout through an Accelerated Replacement Charge which is levied per light per annum. CPU proposed to levy this charge on a customer only from the time CPU replaces a non-LED light with an LED light as part of the accelerated LED rollout. Further, to continue to levy this charge, in addition to the applicable LED charge, on the customer until 30 June 2031.

CPU also found 91% of respondents to their consultation supported a smart PE cell infill program.<sup>19</sup> CPU stated they accepted this consensus result and would proceed with the smart PE cell infill program for all major road LED lights (as well as targeted residential and minor road LED lights such as school zones and pedestrian crossings).<sup>20</sup>

The resulting public lighting prices for 2026–27 in each revised proposal are:

- for CitiPower 1.5% higher than equivalent prices in our draft decision
- for Powercor 2.1% higher than equivalent prices in our draft decision
- for United Energy 1.3% higher than equivalent prices in our draft decision.

In addition, CPU found 55% of respondents to their consultation supported a separate tariff for corn cob lights.<sup>21</sup> CPU stated they accepted the consensus result and proposed new tariffs for corn cob lights (labelled as ‘Category P LED Lamp’).<sup>22</sup> CPU’s proposed prices for corn cob lights are two times the prices for their respective standard lanterns due to the higher material cost of corn cob lamps, higher maintenance requirements and shorter life cycle.<sup>23</sup>

CPU’s revised proposals also included non-price items with regard to its public lighting services. Specifically, CPU proposed:<sup>24</sup>

- To standardise the colour temperature in future replacement programs to 3000K in residential areas and 4000K in non-residential areas, though councils can request 4000K lights in residential areas (discussed in more detail in section 14.2.4.7).

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<sup>18</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7.

<sup>19</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 5; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 5; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 5.

<sup>20</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7; CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 9; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 9; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 9.

<sup>21</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 5; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 5; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 5.

<sup>22</sup> The equivalent standard (non-corn cob) lights are ‘Category P LED Standard Output’ and ‘Category P LED High Output’.

<sup>23</sup> CitiPower, *CP RRP MOD 6.04 - Public lighting PTRM*, December 2025, ‘Forecast revenues’G63 and G67; Powercor, *PAL RRP MOD 6.04 - Public lighting PTRM*, December 2025, ‘Forecast revenues’G63 and G67; United Energy, *UE RRP MOD 6.04 - Public lighting PTRM*, December 2025, ‘Forecast revenues’G63 and G67.

<sup>24</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, pp. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7–8; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7; CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 10; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 11; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 10.

- Not to develop general guidelines for transferring management and control of public lighting in non-trafficable parks, gardens and laneways back to Councils (discussed in more detail in section 14.2.4.8).

### **14.2.3 Assessment approach**

To determine efficient prices for CPU's public lighting services we assessed their public lighting models, considered historical data and benchmarked proposed costs and prices against other distributors, particularly in Victoria, and against independent data and information as relevant. Specifically, we assessed proposed labour price rates, luminaire prices, other input assumptions and stakeholder submissions to derive public lighting prices for this final decision.

We also engaged CPU through information requests to clarify and potentially resolve outstanding issues.

We updated model parameters where appropriate after taking the factors described above into consideration.

### **14.2.4 Reasons for decisions**

Our final decision is to not accept CPU's revised proposals for public lighting in the 2026–31 period as submitted. While we accept most aspects of CPU's revised proposals for public lighting, the final decisions include updates to the labour price growth forecasts, the rate of return and inflation inputs. These update CPU's revised proposal prices to maintain consistency with other aspects of the final decisions on CPU's revised proposals. Those aspects of the public lighting revised proposals that we accept include the accelerated LED rollout (and recovery through the Accelerated Replacement Charge), the smart PE cell infill and the new tariff for corncob lamps.

We also included new prices to enable CPU to recover the costs of testing type 9 meters. This is due to our final decisions to classify type 9 metering services requested by public lighting customers as alternative control services, within the existing public lighting service group.

#### **14.2.4.1 Overall assessment**

Overall, we consider CPU's revised public lighting proposals are reasonable. However, our final decisions do not accept the proposal as submitted. This is because:

- After consultation with CPU, we included new prices to enable CPU to recover the costs of testing type 9 meters over the 2026–31 period (see 14.2.4.6)
- We also adjusted CPU's proposed public lighting prices to be consistent with other aspects of our final decisions, namely on the labour price growth forecasts, the rate of return and inflation (see section 14.2.4.9).

#### **14.2.4.2 CPU's stakeholder consultation**

We consider CPU's stakeholder engagement in relation to public lighting was reasonable, particularly as we consider CPU sufficiently addressed stakeholders' concerns and requests.

CPU's revised proposals noted they consulted with public lighting stakeholders via a webinar prior to submission. CPU sent invitations to 134 stakeholders, with 25 participants attending

the webinar. CPU distributed the webinar presentation pack to all councils and Department of Transport and Planning (DTP) in their distribution areas and asked for their participation in a survey to determine whether there was support for:

- the accelerated LED rollout
- the smart PE cell infill
- a separate tariff for corncobs lamps
- optionality for choosing LED luminaires' colour temperature.

The survey had 22 responses with the majority of respondents supporting these four initiatives.<sup>25</sup>

CPU also discussed the following issues at the webinar but did not include them in the survey sent to councils and the DTP:<sup>26</sup>

- operating expenditure (opex) savings for major road lights moved to LED through smart lighting
- transitioning legacy lighting schemes to the management of the municipalities.

The VGA's submission broadly supported the revised proposal submitted by CPU, particularly the accelerated LED rollout and smart lighting technology. It commended the consultation undertaken by CPU with the customers on their public lighting proposals.<sup>27</sup>

CCP32 stated it understood CPU responded to our draft decisions with a targeted engagement program and that it appeared CPU responded positively to the advice received from engagement.<sup>28</sup>

#### 14.2.4.3 Accelerated LED rollout

We consider CPU's proposed accelerated LED rollout, the associated costs and CPU's proposals to recover these costs through the Accelerated Replacement Charge, are reasonable.<sup>29</sup> As we discuss below, CPU's Accelerated Replacement Charge is novel and differs from the pricing methods of other Victorian distribution network service providers (DNSPs) for their accelerated LED rollouts. However, we consider CPU's proposed approach

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<sup>25</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, pp. 3–6; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, pp. 3–6; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, pp. 3–6.

<sup>26</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 3; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 3; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 3.

<sup>27</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, pp. 1–2.

<sup>28</sup> CCP32, *Submission - CitiPower electricity distribution proposal 2026-31*, January 2026, p. 21; CCP32, *Submission - Powercor electricity distribution proposal 2026-31*, January 2026, p. 23; CCP32, *Submission - United Energy electricity distribution proposal 2026-31*, January 2026, p. 22.

<sup>29</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7; CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'C111:G113; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'C111:G113; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'C111:G113.

is reasonable given it has customer support, will apply only for the 2026–31 period and only for the purpose of CPU’s accelerated LED rollout.

### **Accelerated LED rollouts**

In response to each of the Victorian DNSP initial public lighting proposals, the VGA and councils requested accelerated LED rollouts by the end of the 2026–31 regulatory period. That is, all legacy lights to be replaced with LED lights by the end of the next regulatory period. This reflected the benefits of LED lights in the long term through lower energy usage, costs and emissions.

A key issue for DNSPs to consider as a part of any accelerated LED rollout is that councils that have historically paid for LED rollouts should not cross subsidise (and pay again) for the accelerated LED rollout of other councils in the next regulatory period. We, and the DNSPs, considered this could be addressed through separate pricing to differentiate these circumstances.

Two different pricing approaches were proposed in response to this issue:

- Jemena, and AusNet, proposed to have separate council-funded and DNSP-funded LED prices. These were based on separate regulatory asset bases (RABs) and capital and operating expenditures. The lower council-funded LED prices reflected ongoing opex for the operation and maintenance of the LED lights given the capital expenditure (capex) had already been paid by councils. The DNSP-funded prices reflected both the capex required for the accelerated LED rollout and ongoing opex to operate and maintain the LED lights.
- CPU, proposed an Accelerated Replacement Charge for councils whose remaining legacy lights will be replaced with LED lights as part of CPU’s accelerated LED rollout. This charge treated all costs (capex and opex) as opex, to be charged from the year a council replaces a legacy light with a LED light and remaining in place until June 2031. The Accelerated Replacement Charge aimed to recover the full cost of the accelerated LED rollout by the end of the 2026–31 period.

Our final decisions assess each of these proposed approaches as set out below.

Our draft decisions encouraged CPU to consult with stakeholders about whether they preferred an accelerated LED rollout (which their initial proposals did not include).<sup>30</sup> As outlined above, this followed the VGAs’ submission to our issues paper, which indicated council interest.<sup>31</sup> Our draft decisions also:

- Encouraged CPU to consult with stakeholders on separate pricing for customers who have funded their own upgrades to LED and for customers whose upgrades are DNSP-funded.

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<sup>30</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, p. 15.

<sup>31</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, May 2025.

- Noted the VGA’s recommendation that all Victorian DNSPs replicate Jemena’s approach of establishing a new RAB for customer funded capital upgrades, with corresponding prices being much lower for the relevant councils. This would ensure councils who have fully funded their public lighting assets are not cross subsidising DNSP-funded roll outs.<sup>32</sup>

CPU’s revised proposals included expenditure to replace all non-LED major road lights with the LED equivalent lights by the end of the 2026–31 period. CPU also proposed to recover the costs of the accelerated LED rollout through an Accelerated Replacement Charge.<sup>33</sup>

Below, we discuss how CPU’s revised proposals addressed our draft decisions and set out our considerations for these final decisions in terms of addressing stakeholders’ views, the proposed expenditure associated with the accelerated rollout and recovery of these costs via the Accelerated Replacement Charge.

### Stakeholder consultation

We consider CPU’s engagement with stakeholders regarding the accelerated LED rollout and options for recovering the costs of such a rollout was sufficient.

During consultation for their revised proposals (summarised in section 14.2.4.2), CPU tested 4 options to recover the costs of the accelerated LED rollout:<sup>34</sup>

- smeared recovery of accelerated LED rollout costs through incremental increases in CPU’s existing public lighting prices
- targeted recovery of accelerated LED rollout costs through an additional charge levied on an impacted council, that is the Accelerated Replacement Charge
- no accelerated LED rollout with legacy lights being replaced with LED on failure
- other – respondent to provide an alternative.

CPU provided its modelling of the financial impacts of its Accelerated Replacement Charge during this consultation.

It was in this context that CPU found 64% of respondents want an LED rollout and 79% of those wanted cost recovery to be targeted at the lights that are replaced.<sup>35</sup>

We note CPU did not provide the option of separate RABs for council-funded and DNSP-funded LED rollouts during consultation as a way to minimise cross subsidisation. CPU stated they did not model the optionality of establishing a separate RAB because they considered their approach provides a least cost, equitable solution to an accelerated LED

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<sup>32</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, p. 27.

<sup>33</sup> When replacing a legacy light with the equivalent LED, CPU would levy the Accelerated Replacement Charge on the customer until the end of the 2026–31, period along with the applicable LED charge.

<sup>34</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 4; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 4 and 6; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 4 and 6.

<sup>35</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 4; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, pp. 4 and 6; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, pp. 4 and 6.

rollout. CPU also stated their approach is administratively simple as it ensures that all lights will be incorporated into a single RAB by the end of the 2026–31 period. Further, establishing a separate RAB necessitates upfront establishment costs associated with creating and maintaining the separate RAB and requires ongoing administrative effort to track and manage which luminaires are allocated to each RAB over a 20-year horizon.<sup>36</sup>

It is unclear whether establishing and maintaining separate RABs impose significant burdens on DNSPs. We note AusNet was able to establish separate RABs for its revised proposal (like CPU, its initial proposal for the 2026–31 period did not propose an accelerated LED rollout).

We consider it would have been preferable had CPU explicitly proposed the option of separate RABs for council-funded and DNSP-funded LED rollouts during consultation for their revised proposals. This was the VGA’s suggestion on behalf of its member councils in its submission to our issues paper.<sup>37</sup>

Nevertheless, stakeholders had the opportunity to propose this option during CPU’s stakeholder consultation for its revised proposals. Stakeholders also had the opportunity to express their preference for this option through a submission to us in making our final decisions.

We did not receive any submissions from stakeholders raising concerns regarding CPU’s proposed application of the Accelerated Replacement Charge. We consider this implies customer support for the Accelerated Replacement Charge. Similarly, we did not receive any submissions from stakeholders requesting that CPU establish separate RABs to develop prices for recovering the costs the accelerated LED rollout. While the mechanism to avoid or minimises cross-subsidisation (the Accelerated Replacement Charge) is different to the other Victorian DNSPs, we consider the outcome is the same as we discuss in more detail below.

#### **Preference for an accelerated LED rollout and CPU’s proposed costs**

We consider CPU’s proposals to implement their accelerated LED rollout are reasonable. This is because CPU’s consultation found stakeholders preferred an accelerated LED rollout in the 2026–31 period. Further, we consider CPU’s proposed expenditure to complete the accelerated LED rollout is reasonable as we consider CPU’s assumed unit rates and volumes are reasonable.

From their consultation, CPU found 64% of the 22 respondents supported an accelerated LED rollout.<sup>38</sup> CPU stated they accepted the consensus result of their consultation and proposed to replace all non-LED major road lights with the LED equivalent lights by the end

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<sup>36</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, pp. 5–6; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 6; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 6.

<sup>37</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, May 2025, p. 10.

<sup>38</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 4; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 4; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 4.

of the 2026–31 period.<sup>39</sup> CPU clarified that all minor road lights will be LED lights by the end of the 2026–31 period and are not part of the accelerated LED rollout.<sup>40</sup>

The VGA stated it broadly supported the revised public lighting proposals of the five Victorian DNSPs, particularly the accelerated LED rollouts. The VGA considered this investment will deliver significant energy savings and emissions reductions for councils and communities.<sup>41</sup>

CPU's proposed expenditure (\$2025–26) for their accelerated LED rollout are:

- \$5.5 million for CitiPower
- \$12.1 million for Powercor
- \$12.9 million for United Energy.<sup>42</sup>

We accept these expenditure forecasts as we consider the unit rates and volume forecasts CPU used to derive them are reasonable.

CPU included a unit cost for the rollout per LED light replaced in their cost models.<sup>43</sup> CPU clarified this unit cost included materials (including smart PE cells) and labour and is an average unit cost for major road LED lights across different wattages.<sup>44</sup> This unit cost compares favourably with the equivalent unit costs in Jemena's and AusNet's accelerated LED rollouts.<sup>45</sup>

We note CPU already has a high penetration of LED lights compared to other distributors in the NEM with Powercor having replaced 86% of legacy lights with LEDs since 2009, with the corresponding proportion of legacy lights having already been being replaced being 63% for both CitiPower and United Energy.<sup>46</sup>

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<sup>39</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7.

<sup>40</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 3; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 4; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 4.

<sup>41</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, p. 1.

<sup>42</sup> CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'C113:G113; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'C113:G113; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'C113:G113.

<sup>43</sup> CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Inputs'C240; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Inputs'C240; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Inputs'C240; CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 6; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 7; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 6.

<sup>44</sup> CitiPower, *IR063 - public lighting - Q12, Q16, Q17 - confidential*, January 2026; Powercor, *IR065 - public lighting - Q12, Q16, Q17 - confidential*, January 2026; United Energy, *IR058 - public lighting - Q12, Q16, Q17 - confidential*, January 2026.

<sup>45</sup> AER, *Att 11-06M ACS Public lighting inputs model - Final Decision Jemena distribution determination 2026-31*, April 2026 - Confidential, 'Capital Expenditure'L54:L56; AER, *Public Lighting Inputs Model - CONFIDENTIAL - Final Decision - AusNet Services distribution determination 2026–31*, April 2026, 'Capital Expenditure'L66:L68.

<sup>46</sup> CitiPower, *CP ATT 11.01 - Public lighting*, January 2025, p. 3; Powercor, *PAL ATT 12.01 - Public lighting*, January 2025, p. 3; United Energy, *UE ATT 12.01 - Public lighting*, January 2025, p. 3.

CPU demonstrated that the LED volumes to which they applied their unit cost to derive the proposed expenditure for the accelerated LED rollout are only those legacy lights that they will upgrade to LED as part of the rollout. Specifically, these are the Sodium High Pressure and Metal Halide lights at 150W, 250W and 400W that CPU will upgrade to the major road LED at standard, medium and high output.<sup>47</sup>

#### **Recovering the costs of the accelerated LED rollout via the Accelerated Replacement Charge**

We consider CPU's proposals to recover the costs of the accelerated LED rollout through the Accelerated Replacement Charge is reasonable. This is because the Accelerated Replacement Charge avoids or minimises cross-subsidies from councils who have already funded their own LED replacements to those benefiting from CPU's accelerated LED rollout. While the mechanism to do this is different to that used by Jemena and AusNet, we consider the outcome is the same. We are also satisfied with CPU's modelling that customers subject to the Accelerated Replacement Charge on average break even compared to the scenario with no accelerated LED rollout. Further, we acknowledge CPU's statement (noted earlier) that this approach is administratively simple as it does not require maintaining separate RABs and separate prices for council-funded and DNSP-funded rollouts.

CPU proposed to recover the costs of their accelerated LED rollout through an Accelerated Replacement Charge which is levied per light per annum (billed monthly). CPU proposed to levy this charge on a customer only from the time it replaces a non-LED light with an LED light as part of the accelerated LED rollout. Further, to continue to levy this charge, in addition to the applicable LED charge, on the customer until 30 June 2031.<sup>48</sup>

We agree with the VGA, who when we met with them considered that the Accelerated Replacement Charge manages the cross-subsidies that may occur in an accelerated rollout. This is because customers who have funded their own LED replacements and are therefore not part of the accelerated LED rollout would not need to pay the Accelerated Replacement Charge. Rather, they would only pay the (lower) LED prices. CPU's application of the Accelerated Replacement Charge has the same outcome as prices established from separate RABs for council-funded and DNSP-funded LED lights. This is because councils who have already funded their LED lights do not incur any of the costs of the accelerated LED rollout and so pay a lower price than those councils who benefit from the rollout.

One potential concern we considered around the Accelerated Replacement Charge is its uneven application. That is, councils who have legacy lights replaced with LED lights early on in the 2026–31 period will pay the Accelerated Replacement Charge over more years than those whose lights are replaced later. However, we did not receive any submissions raising this concern. Further, CPU provided modelling which indicated that customers who

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<sup>47</sup> CitiPower, *IR082 - public lighting - further questions on accelerated replacement charge - public*, February 2026, p. 2; Powercor, *IR086 - public lighting - further questions on accelerated replacement charge - public*, February 2026, p. 2; United Energy, *IR075 - public lighting - further questions on accelerated replacement charge - public*, February 2026, p. 2.

<sup>48</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7.

currently have legacy lights would on average be in the same financial position as they would have been in the scenario with no accelerated LED rollout.<sup>49</sup>

CPU shared this modelling during its consultation for their revised proposals.<sup>50</sup> In this consultation, CPU stated that customers would see the following cost changes when legacy lights are replaced with LED lights. Firstly, they would start incurring the Accelerated Replacement Charge. Secondly the public lighting charge would decrease from the non-LED rate to the cheaper LED rate. Thirdly energy bills would decrease with reduced lamp energy usage.<sup>51</sup> The modelling shared showed that individual customers would see a small net cost or saving from these changes depending on the cost of energy, the non-LED and LED public lighting charge, energy savings and timing of replacement.<sup>52</sup> CPU considered that the cash flow of councils would be largely unaffected by its accelerated LED rollout.<sup>53</sup>

We are satisfied with CPU's modelling that customers subject to the Accelerated Replacement Charge on average break even compared to the scenario with no accelerated LED rollout. As CPU noted, levying the Accelerated Replacement Charge is partly offset by levying the lower price for the LED light compared with the legacy light. The differentials in CPU's modelling between the prices for LED lights and the corresponding legacy lights are largely maintained in our final decisions. As discussed in section 14.2.1, our final decisions are to make updates to labour price growth forecasts, the WACC and inflation, resulting in final decision prices that are only slightly higher than CPU's revised proposal prices for legacy and LED lights.

The other aspect of CPU's modelling is the savings a council would expect to make due to the lower energy usage of LEDs. This aspect is more difficult to assess as it requires knowledge of the retail tariffs that individual councils pay. The VGA noted when we met with them that they had modelled the impact of CPU's Accelerated Replacement Charge across a number of member councils and found it was largely consistent with the modelling CPU consulted on and included in their revised proposals. That is, councils will in most cases break even under the accelerated LED rollout compared to maintaining legacy lights, although results for individual councils may vary depending on, for example, their retailer's energy prices.

We also acknowledge CPU's statement (noted earlier) that this approach is administratively simple as it does not require maintaining separate RABs and separate prices for council-funded and DNSP-funded rollouts. The way this charge has been designed also means CPU's accelerated LED rollout will be complete at the end of the 2026–31 period, both physically and administratively. After the 2026–31 period, all of CPU's public lighting

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<sup>49</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 9; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 9; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 9.

<sup>50</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 7; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 7; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 7.

<sup>51</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 9; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 9; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 9.

<sup>52</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 9; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 9; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 9.

<sup>53</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 7; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 8; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 8.

customers will be charged (only) the relevant (and cheaper, compared to legacy lights) LED price. There will be no remaining charges for the accelerated LED rollout after June 2031.

### Calculating the Accelerated Replacement Charge

We consider CPU's method for calculating the Accelerated Replacement Charge is reasonable. We examined CPU's proposed treatment of expenditure for the accelerated LED rollout that is essentially capital in nature as opex when deriving the Accelerated Replacement Charge. While this is not consistent with the treatment of expenditure under the building block model that is used for the rest of the public lighting prices, we consider it is acceptable in this particular circumstance. This is because this treatment, and the resulting Accelerated Replacement Charge, has customer support, will apply strictly during the 2026–31 period only, and only for the purpose of CPU's accelerated LED rollout.

To derive their Accelerated Replacement Charge, CPU each developed a 'base case' cost model and a 'base case' PTRM to calculate their respective public lighting prices and X factors for the scenario with no accelerated LED rollout. These base case models were largely identical to the public lighting cost models and PTRMs from our draft decisions.<sup>54</sup>

CPU then each developed a public lighting cost model that included the costs of the accelerated LED rollout but was otherwise identical to the base case cost model. CPU inputted these costs as opex.<sup>55</sup> This meant these costs were not incorporated into the roll forward models that track public lighting assets over their life or RABs (as is the case for Jemena and AusNet). The costs for the accelerated LED rollout were included in the public lighting PTRM as opex line items.

The public lighting PTRMs then derived the Accelerated Replacement Charges such that CPU recovered the additional costs of the accelerated LED rollouts. They do this by maintaining the prices and X factors from the base case PTRM (which recovers all other, non-accelerated LED costs).

CPU stated the principle behind this approach is that it recovers the incremental net costs of the accelerated LED rollout within the 2026–31 period.<sup>56</sup> By inputting these costs as opex, CPU would fully recover the costs of the accelerated LED rollout in the 2026–31 period.<sup>57</sup>

We note LEDs are long-lived assets<sup>58</sup> and so would normally be treated as capex in a distribution determination (as for Jemena and AusNet), rather than as opex (as for CPU).

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<sup>54</sup> The main differences are the inclusion of costs for the smart PE cell infill (see section 14.2.4.4), corn cob lights (see section 14.2.4.5) and updates to inputs such as the average number of lights per annum.

<sup>55</sup> CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'B110:G113; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'B110:G113; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Outputs'B110:G113.

<sup>56</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 5; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 5; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 5.

<sup>57</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 6; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 7; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 6.

<sup>58</sup> CPU's depreciation period for LED lights is 20 years: CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Roll Forward'C62; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Roll Forward'C62; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Roll Forward'C62.

This means CPU would recover costs more quickly than would otherwise be the case if they were treated as capex.

In this situation, however, we consider these concerns are mitigated by the fact that CPU will apply the pricing method only for a specific period (the 2026–31 period) to a specific set of customers for a specific program that customers support. It is not an ongoing arrangement that would apply to the broader public lighting customer base, or other services.

CPU noted councils have the option of self-funding a bulk replacement of non-LEDs with LEDs in the absence of an accelerated LED rollout. However, many councils have still not taken up this option due to lack of available funding for the upfront bulk replacement cost.<sup>59</sup> We are satisfied the Accelerated Replacement Charge avoids the need for councils to fund the full cost of the LED upfront, but rather spreads the costs of replacement over the 2026–31 period.

We are also satisfied CPU will not recover more revenue, in net present value (NPV) terms, when treating expenditure for its accelerated LED rollout as opex rather than as capex. If treated as opex, CPU would recover the total amount of this expenditure (and only this amount) within the 2026–31 period in the PTRM. If treated as capex, CPU would recover this same total amount but over a longer period (depreciation).<sup>60</sup> In addition, CPU would recover the rate of return on this capex as well as tax<sup>61</sup> over that period.

#### 14.2.4.4 Smart PE cell infill

We consider CPU's proposed smart PE cell infill is reasonable. It reflects stakeholder support for CPU's smart PE cell infill program and we consider CPU's proposed expenditure to complete the infill program is reasonable.

From their consultation, CPU found 91% of respondents supported a smart PE cell infill program.<sup>62</sup> CPU stated they accepted the consensus result of their consultation and proposed to proceed with the smart PE cell infill program for all major road LED lights and targeted residential and minor road LED lights such as school zones and pedestrian crossings.<sup>63</sup>

The VGA stated it broadly supported the revised public lighting proposals of the five Victorian DNSPs, welcoming the proposed investment in smart lighting assets and supporting

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<sup>59</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 7; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 8; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 7.

<sup>60</sup> That is, over 20 years which is CPU's expected life for LEDs.

<sup>61</sup> CitiPower, *IR092 - public lighting - public*, March 2026, p. 1; Powercor, *IR094 - public lighting - public*, March 2026, p. 1; United Energy, *IR085 - public lighting - public*, March 2026, p. 1.

<sup>62</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 5; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 5; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 5.

<sup>63</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7; CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 9; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 9; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 9.

technology platforms. The VGA considered the roll-out of smart lighting will deliver energy savings and a range of safety and amenity benefits for councils and their communities.<sup>64</sup>

CPU proposed not to include residential and minor road LED lights more broadly as part of the smart PE cell infill (except for a targeted set of residential and minor road LED lights such as school zones and pedestrian crossings). This is due to the reduced benefit of fitting smart cells to such lights and the significant cost increase to fund the smart PE cells.<sup>65</sup> CPU clarified stakeholders also did not support including residential and minor roads as part of the infill program, other than the exceptions noted above.<sup>66</sup>

We consider CPU's proposals not to include residential and minor road LED lights as part of the smart PE cell infill is reasonable due to the reduced benefits. We note this is consistent with the VGA's view that while installing smart cells in major roads is financially viable, this is not the case for minor/residential roads.<sup>67</sup>

We consider CPU's proposed expenditure for its smart PE cell infill is reasonable, which in \$2025–26 is:

- \$1.0 million for CitiPower (in addition to \$0.6 million for the Central Management System (CMS) that would enable smart lighting capabilities and which we accepted in our draft decision).
- \$8.7 million for Powercor (in addition to \$1.8 million for the CMS which we accepted in our draft decision).
- \$3.8 million for United Energy (in addition to \$0.2 million for the CMS which we accepted in our draft decision).<sup>68</sup>

One driver for CPU's relatively low expenditure is the lower volumes associated with the smart PE cell infill compared to AusNet Services and Jemena.<sup>69</sup> We understand this is because CPU already have a relatively high penetration of smart PE cells for major roads, having begun rolling them out on major roads in 2017.<sup>70</sup>

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<sup>64</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, pp. 1–2.

<sup>65</sup> CitiPower, *CP RRP ATT 6.01 – Public lighting*, December 2025, p. 8; Powercor, *PAL RRP ATT 6.01 – Public lighting*, December 2025, p. 8; United Energy, *UE RRP ATT 6.01 – Public lighting*, December 2025, p. 8.

<sup>66</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 9; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 9; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 9.

<sup>67</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, May 2025, p. 14.

<sup>68</sup> CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Calcs'C198:G198; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Calcs'C198:G198; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Calcs'C198:G198.

<sup>69</sup> CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Inputs'C77:G78; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Inputs'C77:G78; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Inputs'C77:G78.

<sup>70</sup> CitiPower, *CP ATT 11.01 - Public lighting*, January 2025, p. 3; Powercor, *PAL ATT 12.01 - Public lighting*, January 2025, p. 3; United Energy, *UE ATT 12.01 - Public lighting*, January 2025, p. 3.

We also consider the unit costs for CPU's smart PE cell infill program<sup>71</sup> are reasonable overall. We note CPU's unit rates for the smart PE cells appear relatively high compared to those of AusNet Services and Jemena, which we also consider are reasonable. On the other hand, other aspects of their cost build up, such as labour and installation costs, are comparable or low compared to AusNet Services and Jemena.<sup>72</sup>

#### 14.2.4.5 Corncob lamps

We consider CPU's proposed new tariffs for LED lamps of non-standard decorative lanterns (corncoobs) are reasonable.

In our draft decisions, we encouraged CPU to engage with stakeholders on creating a new tariff for LED corncob lights. This followed the VGA's submission, which recommended creating a new "LED Corncob" tariff so customers understand what is installed and the related cost variations.<sup>73</sup>

From their consultation, CPU found 55% of respondents supported a separate tariff for corncob lights.<sup>74</sup> CPU stated they accepted the consensus result of their consultation and proposed new tariffs for corncob lights (labelled as 'Category P LED Lamp').<sup>75</sup>

CPU's proposed 2026–27 prices for corncob lights (listed below) are two times the prices for their respective standard lanterns (in \$2026–27):<sup>76</sup>

- \$76.17 for CitiPower
- \$65.02 for Powercor
- \$69.11 for United Energy.

CPU stated this is due to the higher material cost of corncob lamps, higher maintenance requirements and shorter life cycle.<sup>77</sup>

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<sup>71</sup> CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Inputs'C74:G75; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Inputs'C74:G75; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Capex\_Inputs'C74:G75.

<sup>72</sup> AER analysis. CitiPower, *IR063 - public lighting - Q12, Q16, Q17 - confidential*, January 2026; Powercor, *IR065 - public lighting - Q12, Q16, Q17 - confidential*, January 2026; United Energy, *IR058 - public lighting - Q12, Q16, Q17 - confidential*, January 2026; AER, *Public Lighting Inputs Model - CONFIDENTIAL - Final Decision - AusNet Services distribution determination 2026–31*, April 2026; AER, *Att 11-06M ACS Public lighting inputs model - Final Decision Jemena distribution determination 2026-31 - Confidential*, April 2026.

<sup>73</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, p. 28.

<sup>74</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 5; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 5; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 5.

<sup>75</sup> The equivalent standard (non-corncoob) lights are 'Category P LED Standard Output' and 'Category P LED High Output'.

<sup>76</sup> CitiPower, *CP RRP MOD 6.04 - Public lighting PTRM*, December 2025, 'Forecast revenues'G63 and G67; Powercor, *PAL RRP MOD 6.04 - Public lighting PTRM*, December 2025, 'Forecast revenues'G63 and G67; United Energy, *UE RRP MOD 6.04 - Public lighting PTRM*, December 2025, 'Forecast revenues'G63 and G67.

<sup>77</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, p. 7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 7; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 7.

We consider CPU's proposed price for corn cob lights is reasonable for the reasons CPU provided. CPU proposed to replace corn cob lamps every 5 years<sup>78</sup> which is consistent with the VGA's submission as we discussed in our draft decisions.<sup>79</sup> CPU's proposed prices for corn cob lights are also comparable with AusNet Services' equivalent price of \$73.51 (2026–27) in its revised proposal which we also consider is reasonable.<sup>80, 81</sup>

#### 14.2.4.6 Type 9 metering costs

Our final decisions are to include new prices for customers who request that CPU provide type 9 metering services for public lighting (Type 9 Meter – testing price), which for 2026–27 are:

- \$5.79 per type 9 meter per annum for CitiPower and Powercor
- \$5.69 per type 9 meter per annum for United Energy.

In making this decision we have taken into account the uniform price CPU proposed for meter testing (\$5.75 per type 9 meter per annum), the updated labour inputs in our ANS final decisions (see section 14.1.1.1) and the various uncertainties that surround the volume inputs which determine this price. This is an on balance decision and we consider the above prices provide reasonable opportunity for councils to benefit from type 9 metering services, for example through potentially lower energy charges compared to type 7 metering,<sup>82</sup> and for CPU to recover the costs of providing type 9 metering services over the 2026–31 period. We expect to consider this issue, and these prices, further as a part of the process for the 2031–36 regulatory period, particularly as we expect many of the current volume uncertainties will have been resolved. In addition, similar to ANS, our final decisions are to apply the labour price growth forecasts as the X factor for the Type 9 Meter – testing price.

Our final decisions classify type 9 metering services as alternative control services (see our decision in section 11.3.2 of Attachment 11 – Service Classification). Given this, we consider type 9 metering costs are appropriately included in the public lighting costs, should be reflected in public lighting prices, and under the public lighting price cap control mechanisms. This differs from CPU's revised proposals where they proposed to classify type 9 metering services as negotiated services.

We consulted with CPU about these classification decisions. CPU noted its revised proposals already included some public lighting costs related to the provision of type 9 metering services, particularly the costs of the smart PE cells which are integrated with the

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<sup>78</sup> CitiPower, *CP RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Inputs'C172; Powercor, *PAL RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Inputs'C172; United Energy, *UE RRP MOD 6.05 - Public lighting cost model*, December 2025, 'Opex\_Inputs'C172.

<sup>79</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, p. 20.

<sup>80</sup> AER, *Public Lighting Model - PUBLIC - Final Decision - AusNet Services distribution determination 2026–31*, April 2026, 'Final Decision' D11.

<sup>81</sup> Our final decision prices for CPU's and AusNet Services' corn cob lights are largely unchanged from the draft decision except for the mechanical updates discussed in section 14.2.4.9.

<sup>82</sup> Public lighting has generally had type 7 metering which relies on estimated use as published by AEMO.

type 9 meters.<sup>83</sup> CPU also noted they would recover these costs through its general public lighting prices. However, CPU explained that its revised proposals did not include ongoing costs to test type 9 meters if they are requested by customers.

After this consultation with CPU it proposed a Type 9 Meter – testing price of \$5.75 per type 9 meter per annum. CPU proposed a single averaged price to apply across its three networks for simplicity and fairness for the councils they serve. CPU assumed that the same unit rates and volumes would apply to each of the three networks in deriving the uniform price.<sup>84</sup> CPU stated this price would recover the costs of testing type 9 meters in accordance with the metrology procedures of the Australian Energy Market Operator, including the labour costs of retrieving and testing the smart PE cells and the annualised costs of the testing equipment.

We consider the unit rates that underpin CPU's proposed Type 9 Meter - testing price are largely reasonable. The labour costs of retrieving and testing the smart PE cells with the type 9 meters are identical to CPU's proposed labour rates for an Administrative Officer and Field Worker for ANS.<sup>85</sup> We have adjusted these labour inputs slightly to be consistent with those in our final decisions for ANS. Further we consider the costs of the testing equipment to derive the Type 9 Meter – testing price are reasonable as they are based on (and lower than) a supplier quote.<sup>86</sup>

One potential concern with CPU's uniform Type 9 Meter – testing price is it may not reflect the unique costs of providing type 9 metering services for each individual network. This is because the level of the Type 9 Meter – testing price is sensitive to both the volumes of smart PE cells and type 9 meters in each network and the take-up of these smart PE cells and type 9 meters over the next period.<sup>87</sup> We are of the view there is considerable uncertainty regarding the appropriate volume assumptions to be used for calculating the Type 9 Meter – testing price. This is informed by discussions we have had with stakeholders regarding this issue, namely CPU, the VGA, the Australian Energy Market Operator and the National Measurement Institute.

In terms of volume of smart PE cells and type 9 meters already installed, CitiPower and Powercor have a larger population compared to United Energy (historical PE cells).

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<sup>83</sup> CitiPower, *IR094 – request for type 9 metering service costs for public lighting - public*, March 2026, pp. 1–4; Powercor, *IR095 – request for type 9 metering service costs for public lighting - public*, March 2026, pp. 1–4; United Energy, *IR086 – request for type 9 metering service costs for public lighting - public*, March 2026, pp. 1–4.

<sup>84</sup> CitiPower, *IR094 – request for type 9 metering service costs for public lighting - public*, March 2026, p. 4; Powercor, *IR095 – request for type 9 metering service costs for public lighting - public*, March 2026, p. 4; United Energy, *IR086 – request for type 9 metering service costs for public lighting - public*, March 2026, p. 4.

<sup>85</sup> CitiPower, *IR094 - public lighting - Q4 - public*, March 2026, 'Workings'C10 and C24; Powercor, *IR095 - public lighting - Q4 - public*, March 2026, 'Workings'C10 and C24; United Energy, *IR086 - public lighting - Q4 - public*, March 2026, 'Workings'C10 and C24.

<sup>86</sup> CitiPower, *IR096 - public lighting, Attachment: Testing equipment quote - confidential*, April 2026; Powercor, *IR097 - public lighting, Attachment: Testing equipment quote - confidential*, April 2026; United Energy, *IR088 - public lighting, Attachment: Testing equipment quote – confidential*, April 2026.

<sup>87</sup> The Type 9 Metering price is the product of the unit rate for testing type 9 meters and the number of meters requiring testing, divided by the population of type 9 meters for which CPU is requested to be the provider of type 9 metering services.

CitiPower and Powercor have been installing smart PE cells with potential type 9 metering capabilities on their networks since 2015–16, whereas United Energy began installing such smart PE cells from 2021–22.<sup>88</sup> All else being equal, these historical cells generally result in higher Type 9 Metering prices for Powercor and especially CitiPower because the number of meters requiring testing (and hence the total cost) during the 2026–31 period is much higher compared to United Energy. However, a DNSP must obtain a pattern approval and verification from the National Measurement Institute before it can use a meter or meter type (including type 9 meters) for trade or billing purposes. Based on the information before us it is not clear what proportion, if any, of CPU's historical PE cells will obtain pattern approval, and verification, for the 2026–31 period and will therefore require testing.

In terms of the assumed rate at which councils and the DTP will take-up smart PE cells and type 9 meters this is also not clear, including as there is no historical take-up.<sup>89</sup> All else being equal, a higher take-up rate generally results in a lower Type 9 Meter – testing price because the population of meters for which CPU is requested to be the provider of type 9 metering services increases. This means the total cost of meter testing can be spread over a larger population of meters. Based on our discussions with stakeholders, it appears a take-up rate between 40% and 60% may be reasonable for the 2026–31 period, though the take-up rate may be above this range if the Type 9 Meter - testing price is sufficiently low, and conversely below this range if the Type 9 Meter – testing price is sufficiently high.

We modelled a number of scenarios using different combinations of take-up rates (between 40% and 60%) and volumes of historical PE cells. From this analysis, we found the Type 9 Meter - testing prices ranged from \$2.18 to \$11.99 across the three networks.<sup>90</sup>

This range in prices reflects the above uncertainties and that type 9 meters used in conjunction with smart PE cells is a developing area.

We consider CPU's proposed uniform price (\$5.75 per type 9 meter per annum, with adjustments to labour rate inputs as discussed above) is reasonable given it falls approximately in the middle of the range of the scenarios we modelled. Absent evidence supporting particular take-up rates, and clarity around the volume of historical PE cells that will need to be tested, we consider this is reasonable given the level of uncertainty.

We expect CPU will obtain more information regarding these inputs to its Type 9 Meter – testing price during the course of the 2026–31 period, reducing the above uncertainty. We therefore expect CPU's Type 9 Meter - testing price in future regulatory control periods to

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<sup>88</sup> CitiPower, *IR096 - public lighting - public, Excel Attachment: CPU type 9 meter testing - public*, April 2026, 'CitiPower'D18:N18; Powercor, *IR097 - public lighting - public, Excel Attachment: CPU type 9 meter testing - public*, April 2026, 'Powercor'D18:N18; United Energy, *IR088 - public lighting - public, Excel Attachment: CPU type 9 meter testing - public*, April 2026, 'United Energy'D18:N18.

<sup>89</sup> In Victoria, public lighting customers will likely be able to choose the DNSP, or alternative providers, to provide type 9 metering services from mid-2026 following changes to Victorian legislation expected to occur at this time. This follows the Australian Energy Market Commission's Unlocking CER benefits through flexible trading rule determination.

<sup>90</sup> AER analysis; CitiPower, *IR096 - public lighting - public, Excel Attachment: CPU type 9 meter testing - public*, April 2026; Powercor, *IR097 - public lighting - public, Excel Attachment: CPU type 9 meter testing - public*, April 2026; United Energy, *IR088 - public lighting - public, Excel Attachment: CPU type 9 meter testing - public*, April 2026.

more closely reflect the unique costs of type 9 meter testing in each of the respective networks (and so diverge from a uniform price).

Lastly, CPU proposed to apply to the Type 9 Meter – testing price the X factors that they calculated for their general public lighting prices in the public lighting PTRMs.<sup>91</sup> We do not consider this is appropriate as the PTRM calculated those X factors based on the costs of providing public lighting services more generally. The costs used to derive the uniform Type 9 Metering price is not part of this calculation. Importantly, labour comprises 89% of the costs of testing type 9 meters. Similar to ANS, we consider the labour price growth forecasts is the appropriate X factor for the Type 9 Metering price (see section 14.1.1.2).

#### 14.2.4.7 4000K luminaires

We consider CPU's proposed approach to standardise the colour temperature in future replacement programs to 3000K in residential areas, and 4000K in non-residential areas, is reasonable and accept this in these final decisions.

In our draft decisions we encouraged CPU to continue to consult around the colour temperature of lights in future replacement programs. This was in response to the VGA's submission to our issues paper. The draft decisions noted that CPU intended to offer customers the option to select either 3000K or 4000K luminaires during the 2026–31 regulatory period, as the VGA had suggested, but that CPU would continue to engage with councils and the DTP to inform their revised proposals.<sup>92</sup>

CPU confirmed its approach in the revised proposals to standardise the colour temperature in future replacement programs to 3000K in residential areas and 4000K in non-residential areas. CPU stated this reflected the majority of council preferences during revised proposal consultation.<sup>93</sup> CPU also clarified councils can request 4000K lights in residential areas.<sup>94</sup>

In our draft decisions, we also noted CPU did not anticipate that offering a choice of colour temperature would affect the proposed suite of tariffs.<sup>95</sup> We confirm this is the case as the assumptions in CPU's modelling, such as the unit rates and the number and frequency of

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<sup>91</sup> CitiPower, *IR094 - request for type 9 metering service costs for public lighting - public*, Excel Attachment: *CP RRP MOD - Public lighting PTRM*, March 2026, 'Forecast revenues' H71:K71; Powercor, *IR095 - request for type 9 metering service costs for public lighting - public*, Excel Attachment: *PAL RRP MOD - Public lighting PTRM*, March 2026, 'Forecast revenues' H71:K71; United Energy, *IR086 - request for type 9 metering service costs for public lighting - public*, Excel Attachment: *UE RRP MOD - Public lighting PTRM*, March 2026 'Forecast revenues' H71:K71.

<sup>92</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, pp. 30–31.

<sup>93</sup> CitiPower, *CP RRP ATT 6.01 - Public lighting*, December 2025, pp. 6–7; Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 9; United Energy, *UE RRP ATT 6.01 - Public lighting*, December 2025, p. 9.

<sup>94</sup> Powercor, *PAL RRP ATT 6.01 - Public lighting*, December 2025, p. 9; CitiPower, *IR063 - public lighting - confidential*, January 2026, pp. 6–7; United Energy, *IR058 - public lighting - confidential*, January 2026, pp. 6–7.

<sup>95</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, p. 31.

repairs or replacements for LED lights, are unchanged between their initial and revised proposals.<sup>96</sup>

#### **14.2.4.8 Transitioning legacy lighting schemes**

We accept CPU's position to not develop general guidelines for transitioning legacy lighting schemes as we understand such requests are customer and location specific.

In our draft decisions, we noted the VGA's submission requested further detail on CPU's proposals to give councils management and control of public lighting in non-trafficable parks, gardens and laneways to help ensure safety and access (transitioning legacy lighting schemes). The VGA also requested the potential for councils input into the transition process for these assets.<sup>97</sup>

In our draft decisions, we considered it may be useful to have some high-level principles and processes that would assist CPU and the relevant council to develop the exact process and standards for each request in transitioning legacy lighting schemes. We therefore encourage CPU to develop these high-level principles and process with the relevant stakeholders (such as councils and the VGA).<sup>98</sup>

In the revised proposals, CPU proposed not to develop general guidelines for transitioning legacy lighting schemes. CPU stated due to the unique circumstances for each situation, they were reluctant to provide general guidelines and would prefer to negotiate with councils based on local circumstances.<sup>99</sup>

We consider CPU's position to not develop general guidelines is reasonable as we understand such requests are customer and location specific. However, we encourage CPU and councils to reconsider developing general guidelines in the future, if appropriate, as they gain more experience with such transfers.

#### **14.2.4.9 Updates for more mechanical issues**

We have amended the following inputs in CPU's public lighting models. These amendments are consistent with our final decisions on other relevant aspects of CPU's revised proposals.

##### **Rate of return**

Our final decisions substitute the rate of return inputs in CPU's public lighting models to be consistent with our final decisions on CPU's rate of return (see section 2.2 of the Overview).

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<sup>96</sup> The exception is the inclusion of a new cost build up for corncob lights (as we discuss in section 14.2.4.5).

<sup>97</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, p. 31.

<sup>98</sup> AER, *Attachment 14 - Alternative control services - Draft decision - CitiPower, Powercor and United Energy distribution determinations 2026-31*, September 2025, p. 32.

<sup>99</sup> CitiPower, *IR063 - public lighting - confidential*, January 2026, p. 10; Powercor, *IR065 - public lighting - confidential*, January 2026, p. 11; United Energy, *IR058 - public lighting - confidential*, January 2026, p. 10.

## **Inflation**

Our final decisions substitute the forecast inflation input for the 2026–27 year in CPU’s revised proposals public lighting models with the ABS actual inflation for December 2025, consistent with our final decisions on CPU’s control mechanisms (see Attachment 12).

## **Labour price growth forecasts**

Our final decisions substitute the labour price growth forecasts in CPU’s public lighting models to be consistent with our final decision on CPU’s opex (see Attachment 3).

### **14.2.4.10 Introducing new services during a regulatory control period**

Our final decision is that CPU must price any new public lighting services (that are the same or similar to existing services) they introduce during the 2026–31 period according to the control mechanism for quoted services. CPU should only introduce new services because customers want them (customer driven). In proposing new services, we require that CPU demonstrates customer consultation and support for such prices and services.

We consider this is consistent with our previous distribution determinations. We stated new alternative control services introduced during a regulatory control period with characteristics that are the same, or essentially the same, as other alternative control services should be priced as a quoted service until the next regulatory control period (see Attachment 12).

It is worth considering that quoted services generally apply to one-off services. The control mechanism poses no administrative issues where, for example, a council agrees to pay for the installation of new technologies up-front.

However, some councils may prefer to pay for new technologies over their economic or useful life. We consider this is possible under the control mechanism for quoted services. This could involve determining the up-front costs based on the control mechanism formula as a first step. The distributor would then calculate an annual fee using a method appropriate to the service.

Further information about quoted services and introducing new prices within the 2026–31 period is set out in Attachment 12.

## Shortened forms

Term	Definition
ACS	Alternative Control Services
AER	Australian Energy Regulator
ANS	Ancillary network services
API	Application programming interface
Capex	capital expenditure
CMS	Central management system
CPI	Consumer Price Index
CPU	CitiPower, Powercor and United Energy
DNSP	distribution network service provider
EPV	Elevated platform vehicle
ESCV	Essential Services Commission Victoria
F&A	Framework and approach
HPS	High pressure sodium
LED	Light emitting diode
NEL	National electricity law
NEM	National electricity market
NER or the rules	National electricity rules
Opex	Operating and maintenance expenditure
PE cell	Photoelectric cell
PTRM	Post-Tax-Revenue-Model
RAB	Regulatory asset base
RBA	Reserve Bank of Australia
RIN	Regulatory information notice
VGA	Victorian Greenhouse Alliances
WACC	Weighted average cost of capital