May 2026

Statement of reasons: Powercor's Annual Pricing Proposal

The AER approves Powercor's 2026–27 pricing proposal which contains tariffs that are due to commence on 1 July 2026. Powercor's approved tariffs are set out on our website.

Estimated network cost movements

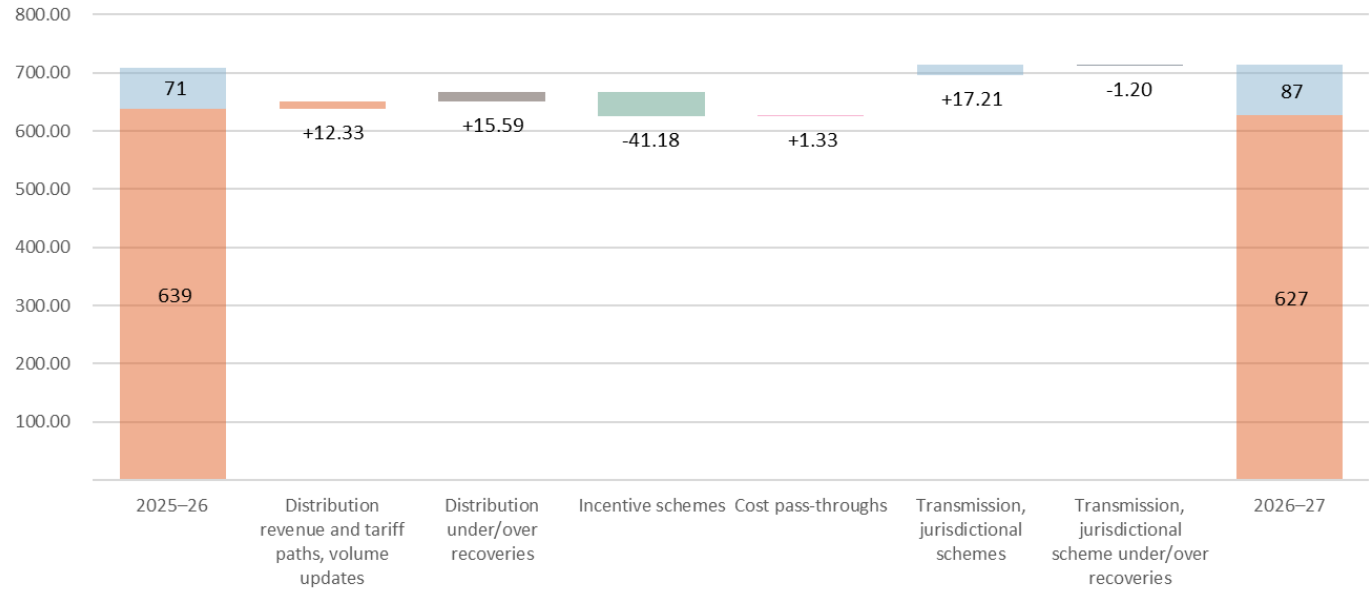
We estimate the average network cost movements below for Powercor's customers in 2026–27, compared to 2025–26.

	Flat-rate tariff	Time-of-use tariff
Residential	+$4.07	+$10.58
Small business	+$66.13	+$58.31

The network cost movements reflect an increase in revenue that Powercor is allowed to recover in 2026–27. This is partially offset by a forecast increase in consumption. We provide more detailed information on Powercor's consumption forecasts below.

The increase in revenue is predominantly due to increased transmission costs, actual inflation, the recovery of previously under-recovered revenue and the revenue path set in the 2026–31 distribution determination. This is partially offset by decreased incentive scheme amounts. These key drivers can be seen in Figures 1 through 4.[1]

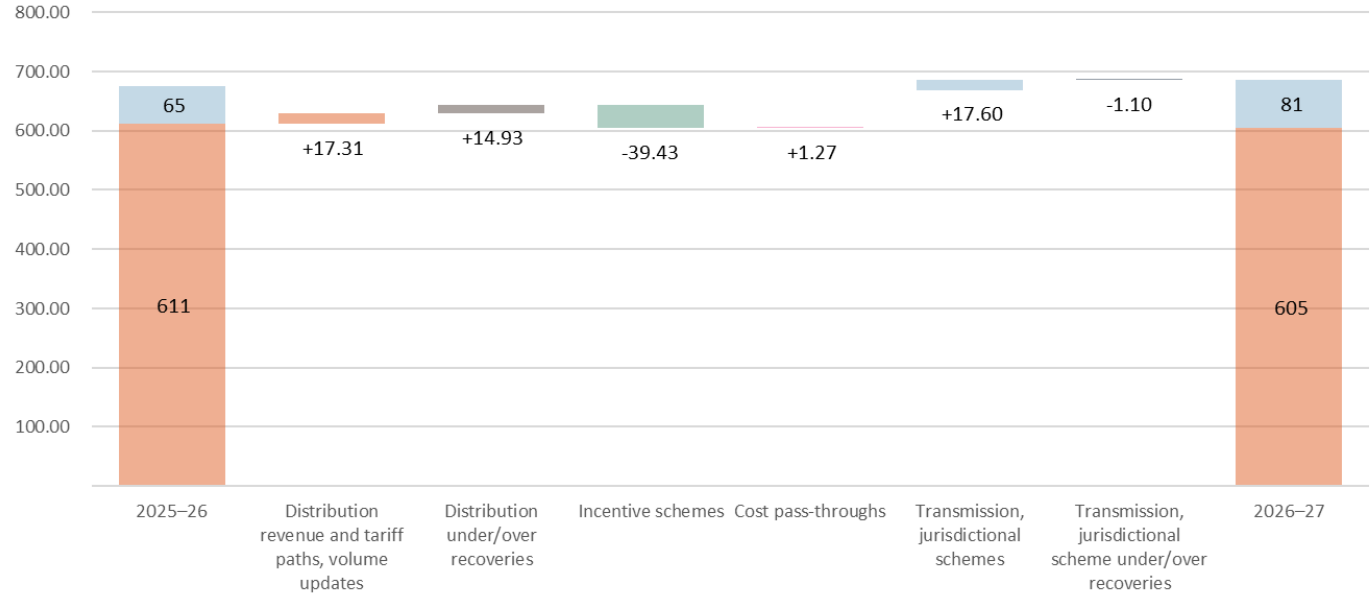
Figure 1 Residential flat-rate tariff: Average annual network cost movement



Source: AER analysis; Powercor's 2026–27 pricing proposal.
Note: The above analysis assumes electricity usage of 4,708 kWh. This is based on the most recent data for electricity usage and customer numbers reported in Powercor's 2026–27 pricing proposal for the Residential Single Rate tariff.

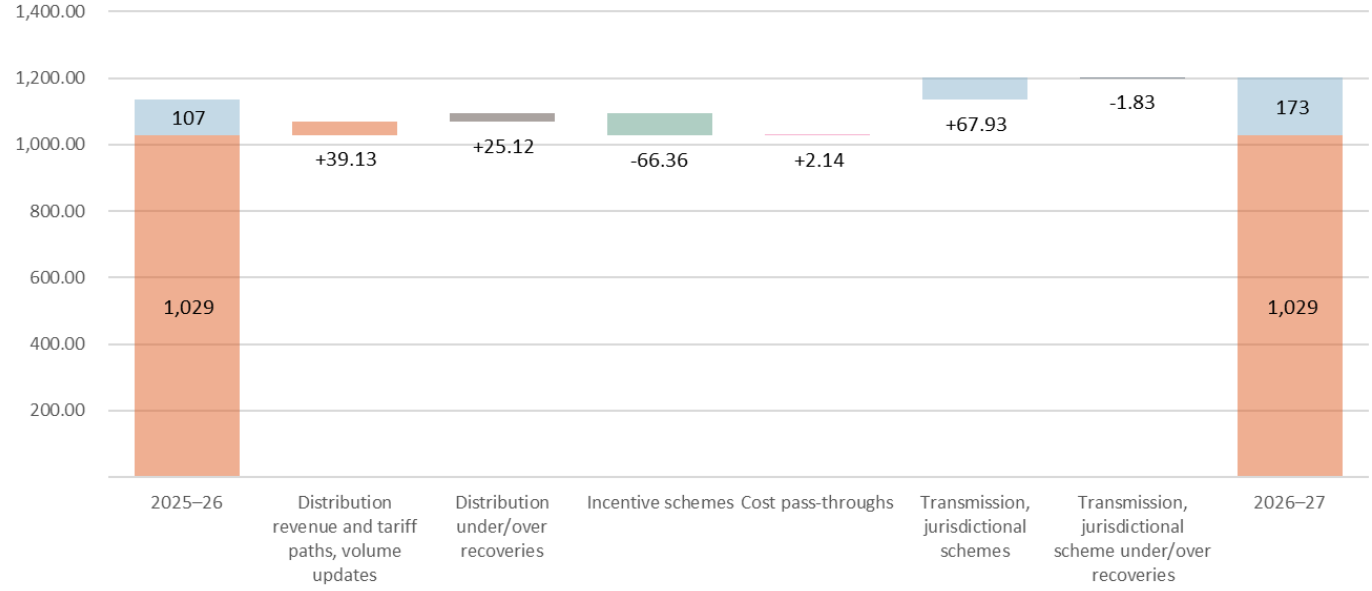
[1] The columns in the charts represent the average annual network charge for relevant years. Within the columns, the orange columns represent the distribution and metering components of the approved network tariffs, including the impact of actual inflation. The blue columns represent revenues recovered on behalf of transmission networks and amounts related to schemes imposed by State or Territory Governments. The direction and magnitude of movements in these charts may differ to the listed revenue drivers and across the charts, reflecting distributors' differing application of these revenue drivers across tariffs.

Figure 2 Residential time-of-use tariff: Average annual network cost movement



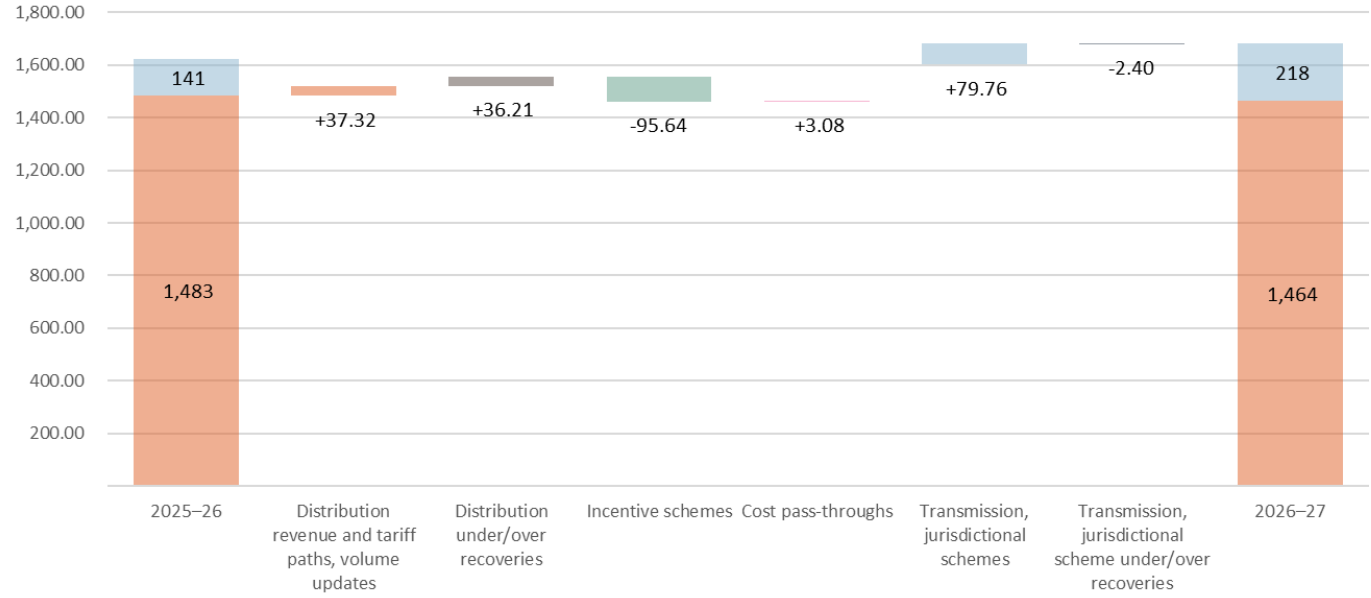
Source: AER analysis; Powercor's 2026–27 pricing proposal.
Note: The above analysis assumes annual electricity usage of 1,365 kWh in the peak period, 2,856 kWh in the off-peak period, and 707 kWh in the solar period. This is based on the most recent data for electricity usage and customer numbers reported in Powercor's 2026–27 pricing proposal for the Residential ToU (time-of-use) tariff.

Figure 3 Small business flat-rate tariff: Average annual network cost movement



Source: AER analysis; Powercor's 2026–27 pricing proposal.
Note: The above analysis assumes annual electricity usage of 7,345 kWh. This is based on the most recent data for electricity usage and customer numbers reported in Powercor's 2026–27 pricing proposal for the Small Business Single Rate tariff.

Figure 4 Small business time-of-use tariff: Average annual network cost movement



Source: AER analysis; Powercor's 2026–27 pricing proposal.
Note: The above analysis assumes annual electricity usage of 5,114 kWh in the peak period and 7,172 kWh in the off-peak period. This is based on the most recent data for electricity usage and customer numbers reported in Powercor's 2026–27 pricing proposal for the Small Business ToU (time-of-use) tariff.

Actual bill impacts for individual customers will vary from our estimates as customers may be on different tariffs or consume different amounts of energy from our assumptions. Our analysis is based on flat rate or block tariffs and the main time-of-use tariffs, which are generally the most common tariffs for residential and small business customers across the NEM. Distributors may apply movements from revenue drivers differently across tariffs, which may mean some tariffs increase while others decrease.

We note electricity retailers ultimately determine how these underlying network tariffs are reflected in the retail prices offered to customers. In most instances network charges make up less than half of the retail bill.

Under/over recovered revenues

Although we set the revenues the distributors can recover, the revenue they ultimately receive over an individual year is determined by the amount of actual energy consumed in that year. This is because:

- Actual energy consumption can fluctuate from forecast consumption because of a number of factors such as weather, increased uptake of solar PV, or the rate of electrification (that is, the shift from gas to electricity). These fluctuations in energy consumption result in distributors recovering more or less than the allowable revenue we set.
- Variations can also occur for the transmission costs and jurisdictional scheme amounts a distributor passes through to customers where actual payments differ to what was forecast.

To 'true-up' these variations in revenue, adjustments are made to allowable revenues for the upcoming financial year to ensure that over time, a distributor only recovers the revenue it is allowed.

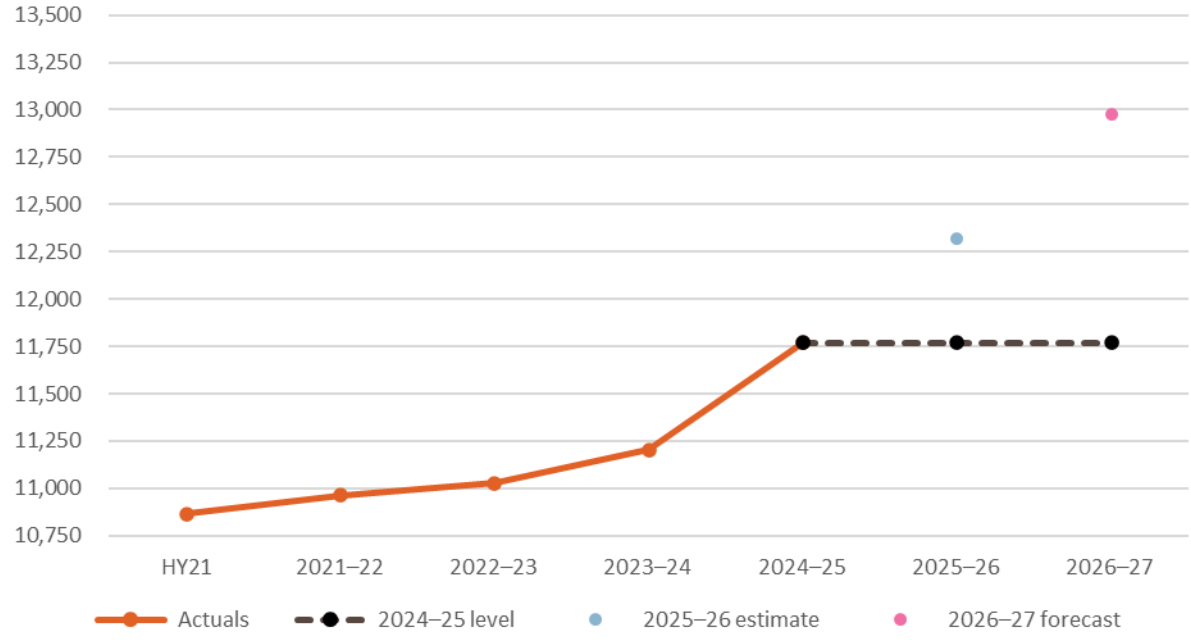
Consumption forecasts

Electricity distributors operate under a revenue cap which sets the annual allowed revenue they can recover to deliver safe and reliable electricity within their networks. Prices are determined based on forecast consumption for that year, allowing distributors to recover their allowed revenue. If distributors forecast lower consumption, then other things being equal, prices are expected to be higher to allow them to recover the revenue allowed.

Our assessment of the distributors' consumption forecasts includes analysis of historical consumption trends and the reasons put forward for any departure from them. This includes changes in post-pandemic consumption behaviour due to electrification, increases in distributed energy resources and ongoing data centre rollout across some jurisdictions.

Figure 5 shows that Powercor has forecast a large increase in energy consumption for 2026–27, mainly driven by ongoing data centre rollout. Powercor expects new connections from contracted data centres while observing a steady ramp up from existing data centres. Powercor also observed higher residential consumption due to electrification. The forecast is based on Powercor's updated forecasting approach to normalise weather impacts.

Figure 5 Energy volumes (GWh)



Source: AER analysis; RIN and AIO data; Powercor's 2026–27 pricing proposal.
Note: Victorian distribution networks have recently moved from calendar years to financial years. This included an additional 6-month period in the first half of 2021. We have annualised quantities for this period to be comparable with other years.

We consider Powercor's consumption forecasts are reasonable based on our analysis and the supporting information provided by Powercor.