

# Overall summary of the draft proposals from the five Victorian electricity distribution networks

November 2019



**Brotherhood  
of St Laurence**

Working for an Australia free of poverty

The Brotherhood of St Laurence is a non-government, community-based organisation concerned with social justice. Based in Melbourne, but with programs and services throughout Australia, the Brotherhood is working for a better deal for disadvantaged people. It undertakes research, service development and delivery, and advocacy, with the objective of addressing unmet needs and translating learning into new policies, programs and practices for implementation by government and others. For more information visit <[www.bsl.org.au](http://www.bsl.org.au)>.

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# 1 Introduction

BSL, Renew and Victorian Council of Social Services (VCoSS) have been funded by Energy Consumers Australia (ECA) to lead a consumer input process into the 2021 Electricity Distribution Pricing Review (EDPR). This report is a summary of the draft proposals released by the Victorian distribution networks in 2018, as part of the 2021 determination process.

The purpose of this brief summary report is to identify the main trends present in the distributors' draft proposals for this period, and also areas that will be important to analyse when detailed data becomes available.

# 2 Background

Draft proposals were released by the distributors in the second half of 2018, according to the original schedule for the 2020 reset.

The reset process was then extended by 6 months, with most stages of the EDPR similarly postponed – so that the draft proposals have been circulated for a longer period than usual.

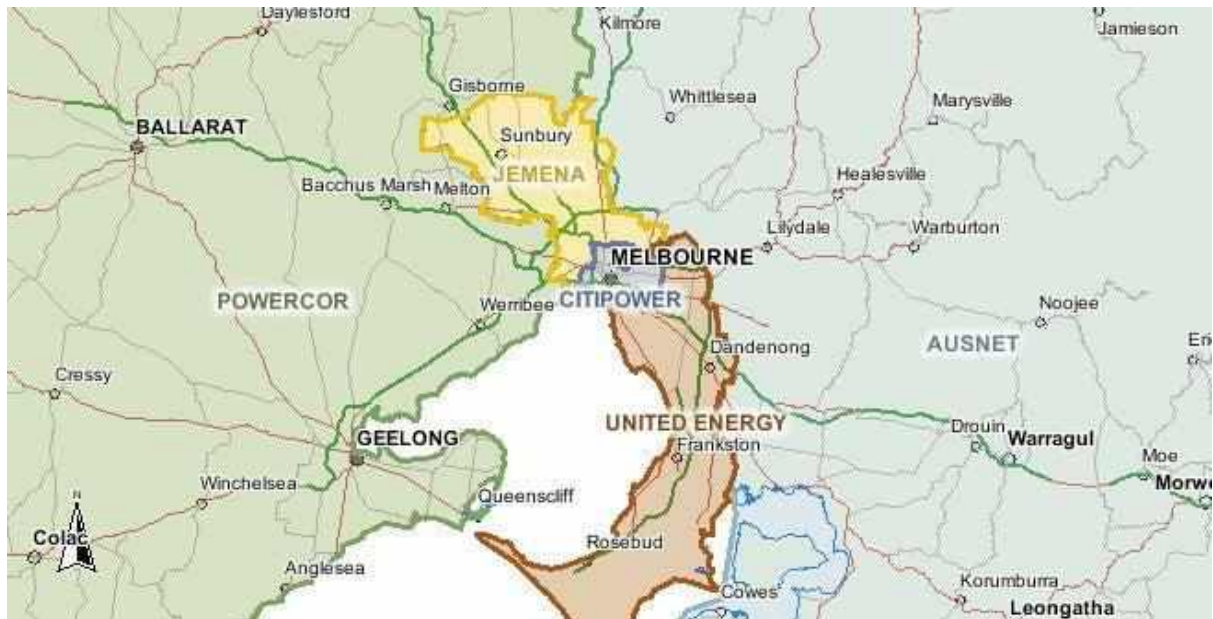
In general, the drafts released by the networks have been high level with little detail – with Powercor, CityPower and United Energy in particular including little detail, and being marketed at a general audience.

The Ausnet Services draft included more comprehensive detail. A more detailed draft plan informs the revised consumer engagement process being trialled by Ausnet through this EDPR – through the NewReg approach.

Generally, the draft proposals are not developed to the detail required by the AER for the regulatory reset process. Despite this, the draft proposals do provide a view as the direction each of the networks is taking for the next regulatory period.

When the draft proposals were released in 2018, key financial metrics that are used to calculate the Weighted Average Cost of Capital (WACC) were generally at a higher rate than they are currently in August 2019.

**Figure 1 - Victorian distribution network areas**



### 3 Overview of network draft proposal trends

#### Affordability

All distributors are proposing a reduction in revenue between 2020 and 2021.

The amount of the reduction varies between each distributor from ~1%-8%. When this is applied as a weighted average across all network areas, based on the value of the RAB, this gives an average reduction of ~4.6%. At the current lower cost of capital (since the drafts' release in late 2018), the reduction between 2020 and 2021 would be greater.

Revenue stays flat in real terms for the balance of the period for all distributors except Ausnet Services, with the actual amounts increasing with inflation. Ausnet Services has 1.6% real increases each year.

In real terms, prices should fall over the period due to growth in customers in each distributor area, implying that in nominal terms, prices might be reasonably flat if revenue is flat. Ausnet Services and Jemena specifically report prices increasing in nominal terms.

The initial step reduction must be predominantly due to lower opex and capex - because while all networks used the new AER approach to setting to cost of capital, they also used a higher risk free rate than was used by the AER in the 2015 reset.

### Drivers of cost

Peak demand drives network growth, through a combination of new customers and change in usage patterns by consumers.

Ausnet Services and Jemena forecast a continued increase in customers. Citypower, Powercor and United Energy don't explicitly state this, but these three all indicate large capex for new connections, implying there is customer growth.

All distributors forecast some increase in peak demand, which is consistent with AEMO forecasts, however peak demand at Ausnet and Citypower is forecasted to be marginal, while others are generally less than 1.5% overall. **A core question in analysing the initial proposals will be to consider where the peak demand increase occurs in the network, and whether the growth can be managed within the existing network capacity.**

All distributors report that reliability has increased over the past decade. It will be important to determine whether consumers want to pay the cost for ongoing improvements in reliability.

Utilisation of network assets is highest in Powercor (73%) followed by United Energy, Jemena, Citypower with Ausnet Services (49%) having the lowest. The higher the utilisation, the less able the network is to accommodate increased demand without capex for growth.

### Cost of capital

All distributors use the mandated AER model to calculate cost of capital.

Despite the decision of all of the networks to implement the AER approach to setting the cost of capital, it is clear that the inputs used by each do not reflect the current levels of the cost of debt. (10 year government bonds are used for setting the cost of equity and 10 corporate bonds are used for setting the cost of debt.)

In their draft proposals, all of the networks used a risk free rate that was higher than that applied for the current period.

An initial assessment of the cost of debt indicates that there will be a significant fall in the cost of capital that the AER will apply to the networks revenue as a result of the current costs of debt which are some 100-150 basis points lower than the cost of debt used in the draft proposals. It is expected that if the costs of debt applying in July 2019 continue to the point of the AER final decision, the impact will be at least another 5% reduction in the revenues claimed by all of the networks in their draft proposals.

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### Asset base, depreciation and tax approach

It appears that all distributors have more capex than depreciation implying that the Regulatory Asset Bases (RABs) are increasing further. Ausnet Services and Jemena provide data confirming this. A difficulty with using the RAB as a guide to reducing capex is that RAB is measured in nominal terms and to see whether there are anomalies, this needs to be reduced into relative terms (constant dollar amounts, customer numbers, and peak demand.)

All distributors follow the AER guideline on depreciation and also the guideline on tax allowance.

### Opex

All distributors use the same approach to setting opex (ie base, step and trend).

All distributors have increased their opex above the base + trend.

In terms of opex, Powercor and Citypower are the most efficient in the NEM and have improved in recent years, Ausnet Services and United Energy are much the average and Jemena is now below average.

### Capex

Replacement capex increases across all distributors.

Growth capex is much the same as now.

IT capex is higher than the current period.

New connections show increases but perhaps more than would be expected with the new customers being added.

### Pricing structures

Pricing structures were a feature of all draft proposals.

As might be expected those of Citypower, Powercor and United Energy were all similar reflecting options of time-of-use, peak usage packages, demand tariffs and status quo.

Jemena CE indicated that a demand tariff was acceptable but should have an “opt out” ability.

Ausnet Services advised it is consulting separately on pricing for small customers (<40 MWh pa) and comments that this is in conjunction with the other networks. Ausnet Services specifically states that it provides a separate pricing arrangement with some firms that offer to reduce demand at times of stress on the network .



### Customer engagement

All distributors report considerable customer engagement processes.

All distributors except Ausnet Services appear to have followed a conventional path in customer engagement, incorporating discussions with a wide range of stakeholders (end users, experts, community leaders, retailers, etc) using a range of tools (customer panels, interviews, focus groups, forums, surveys, workshops, website) about a range of topics ( the future needs of end users, options, tariffs, demand management opportunities, solar integration).

While Ausnet Services also undertook similar exercises, it also established a Customer Forum under the aegis of the AER. The CF was tasked with negotiating some outcomes with Ausnet Services which were then to be incorporated in the draft proposal

An element of the customer engagement was to identify how consumers could better integrate with the network over solar panels and battery installations

## 4 Ausnet Services

Ausnet provided a draft proposal that in many ways reflected a traditional regulatory proposal. This made analysis of the draft proposal relatively straight forward but while it provides a lot of the information required for some detailed analysis, it is quite deficient in many aspects to provide a comprehensive review.

### Affordability

Ausnet is proposing a reducing in tariffs by 3.73% followed by real increases of 1.6% pa thereafter, indicating the reduction will be absorbed by year four of the next period.

Whilst revenue claimed falls in the first year, it exceeds the current levels of revenue in year three of the regulatory period.

### Drivers of cost

Maximum demand is forecast to increase marginally, but energy delivered continues to fall. Customer numbers are forecast to increase at the same historical rate.

#### Demand, energy and customer number forecasts

The following table sets out our forecasts of maximum demand, energy and customer numbers for the 2021 to 2025 regulatory period.

	2021	2022	2023	2024	2025
Maximum demand (MW)	1,989	2,016	2,043	2,071	2,098
Change in maximum demand from previous year (%)	1.37%	1.36%	1.34%	1.34%	1.33%
Energy delivered (GWh)	7,314	7,260	7,226	7,196	7,169
Change in energy delivered from previous year (%)	-0.30%	-0.74%	-0.46%	-0.41%	-0.38%
Customer numbers	761,337	773,437	785,520	797,605	809,694
Change in customer numbers from previous year	1.6%	1.6%	1.6%	1.5%	1.5%

Reliability continues to improve as does utilisation of the assets.

Number of unplanned interruptions per...

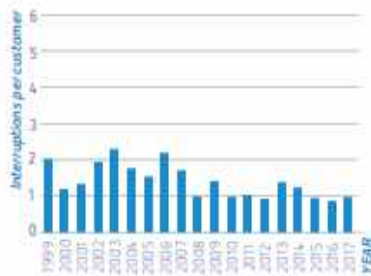


Figure 3.4: ...Urban customer



Figure 3.5: ...customer on short rural feeder



Figure 3.6: ...customer on long rural feeder

#### Cost of capital

Ausnet has followed the AER approach to the cost of capital, basing its return on equity on a risk free rate of 2.63% compared to the risk free rate used in the current period of 2.52%. The current risk free rate is some 150 bp lower than that used by Ausnet in its draft proposal.

#### Asset base, depreciation and tax approach

The RAB proposed continues to grow as capex exceeds the depreciation claimed.

The table below shows how the forecast of our RAB value over the coming period is derived.

NOMINAL \$ MILLION UNLESS STATED OTHERWISE	2021	2022	2023	2024	2025
RAB (start period)	\$4,512.9	\$4,755.9	\$4,957.6	\$5,142.4	\$5,315.4
Capital expenditure	\$337.7	\$313.9	\$307.1	\$302.0	\$319.2
Inflation on opening nominal RAB	\$110.6	\$116.5	\$121.5	\$126.0	\$130.2
Straight-line depreciation	(\$205.3)	(\$228.7)	(\$243.8)	(\$254.9)	(\$270.2)
RAB (end period)	\$4,755.9	\$4,957.6	\$5,142.4	\$5,315.4	\$5,494.6
RAB (end period) – real \$M 2020	\$4,642.2	\$4,723.3	\$4,782.2	\$4,824.9	\$4,868.3

The approaches to depreciation and tax are in accordance with AER requirements.

### Opex

Opex in the current period shows a significant trend downward delivering considerable savings against the allowed opex. Opex productivity increased marginally as a result.

Forecast opex shows a significant increase to match the highest level of opex seen in the last decade implying that productivity will decline.

Ausnet follows the base-step-trend approach to setting opex but the step and trend changes add nearly 20% by the end of the forecast period.

#### Operating and maintenance expenditure forecasts

We used the AER's "base-step-trend" methodology to derive our forecast operating and maintenance expenditure (opex), which is shown in the table below.

2020\$ MILLION	2021	2022	2023	2024	2025	TOTAL
Base opex	\$209.6	\$209.6	\$209.6	\$209.6	\$209.6	\$1,048.0
Step changes (see table below)	\$3.7	\$4.0	\$4.0	\$4.2	\$4.3	\$20.2
Trend (output, labour and productivity)	\$4.1	\$8.4	\$13.1	\$18.3	\$22.8	\$66.7
Bottom-up forecasts (Metering reallocation, Guaranteed Service Levels, debt raising costs and innovation expenditure)	\$18.6	\$18.7	\$18.8	\$19.1	\$19.2	\$94.4
Total opex allowance	\$236.0	\$240.7	\$245.5	\$251.2	\$255.9	\$1,229.3

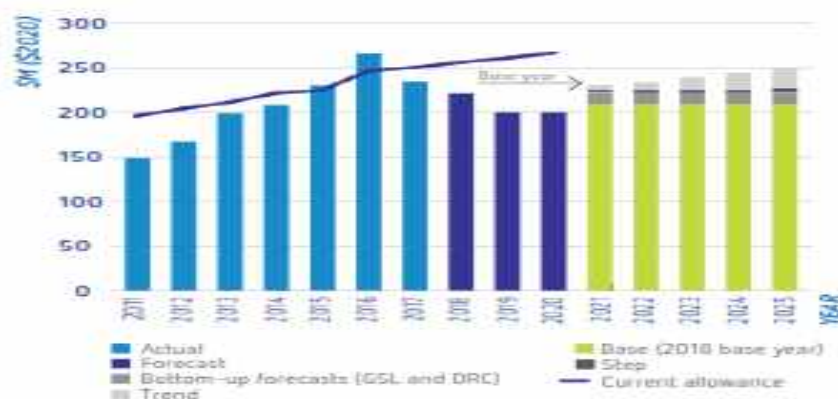


Figure 7.2: Operating expenditure 2011 to 2025 (\$M, \$2020)

Note: The base opex amount shown excludes the \$32 million (\$2020) of shared smart metering opex.

## Capex

Capex is falling in the forecast period from the levels in the current period but there were considerable savings against allowed capex in the current period.

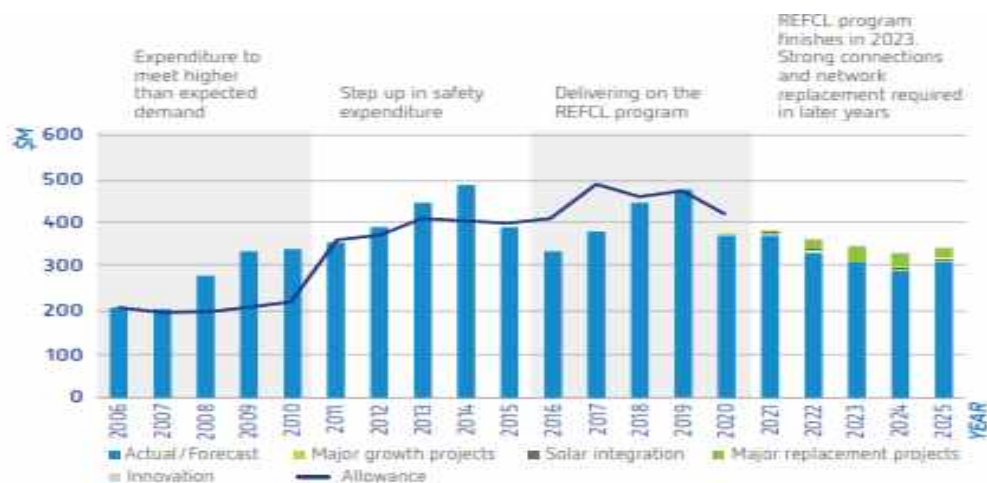


Figure 7.5: Total capital expenditure (including customer contributions) 2006 to 2025 (\$M, \$2020)

Replacement capex proposed is higher than in the current period but growth capex proposed is much the same.

ICT capex proposed is more than was used in the current period, yet in the current period, there was less capex used than was allowed.

## Pricing structures

Ausnet comments that it is consulting separately on pricing for small customers (<40 MWh pa) and comments that this is in conjunction with the other networks. Ausnet

Services specifically states that it provides a separate pricing arrangement with some firms that offer to reduce demand at times of stress on the network.

### Customer engagement

Ausnet entered into the NewReg process initiated by ENA, ECA and the AER where it established a Customer Forum which was tasked with “negotiating” some outcomes with Ausnet which were then to be incorporated in the draft proposal. There have been observations made by some consumer advocates that while the NewReg approach provided good input to gathering useful knowledge about consumer views, converting this into the regulatory proposal could have been better.

Ausnet also followed a conventional path in CE, incorporating discussions with a wide range of stakeholders (end users, experts, community leaders, retailers, etc) using a range of tools (customer panels, interviews, focus groups, forums, surveys, workshops, website) about a range of topics ( the future needs of end users, options, tariffs, DM opportunities, solar integration).

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## 5 Citipower

The draft proposal provided by Citipower is very light on detail and provides considerable rhetoric and “feel good” commentary. Analysing the draft proposal was challenging, even when reference was made back to RIN data on historic outcomes.

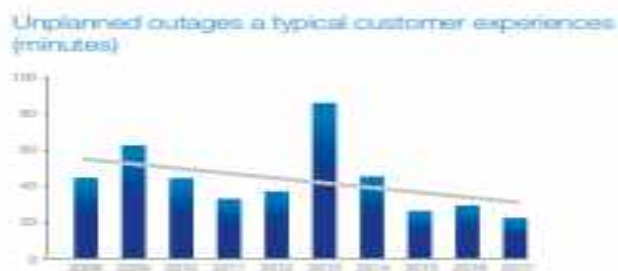
### Affordability

Citipower is proposing a reducing in tariffs by 4.6% followed by no real increases thereafter.

### Drivers of cost

Maximum demand is forecast to be essentially stable and customer numbers are forecast to increase at the same historical rate.

Reliability continues to improve as does utilisation of the assets.



### Cost of capital

Citipower has followed the AER approach to the cost of capital, but does not advise what the risk free rate it used but it is expected to be in the range of 2.6-2.7% compared to the risk free rate used in the current period of 2.52%. The current risk free rate is some 150 bp lower than what Citipower might have used in its draft proposal.

### Asset base, depreciation and tax approach

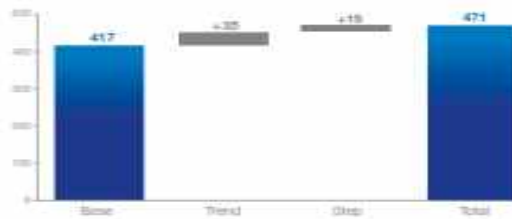
Citipower does not provide data on its RAB growth but it would appear that the RAB would continue to grow as more capex is proposed for the next period than was used in the current period.

The approaches to depreciation and tax appear to be in accordance with AER requirements.

### Opex

Citipower follows the base-step-trend approach to setting opex but the step and trend changes add over 10% increase.

Forecast operating expenditure  
(\$ million, 2020 dollars)



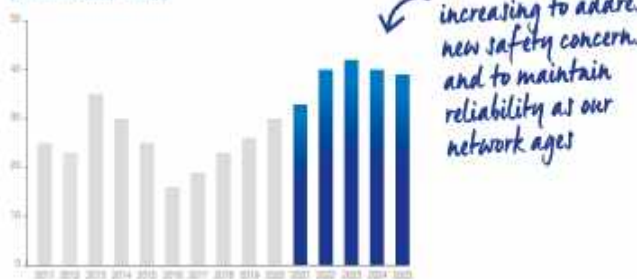
Proposed step changes  
(\$ million, 2020 dollars)

Proposed step change	Forecast operating investment	Deferred capital investment
New regulatory obligations related to market changes	12.6	N/A
New regulatory obligations related to safety and environment	1.4	N/A
Expenditure trade-offs	4.7	9.5

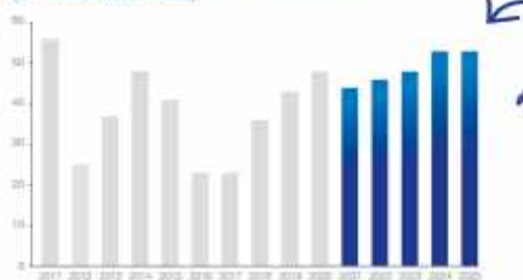
## Capex

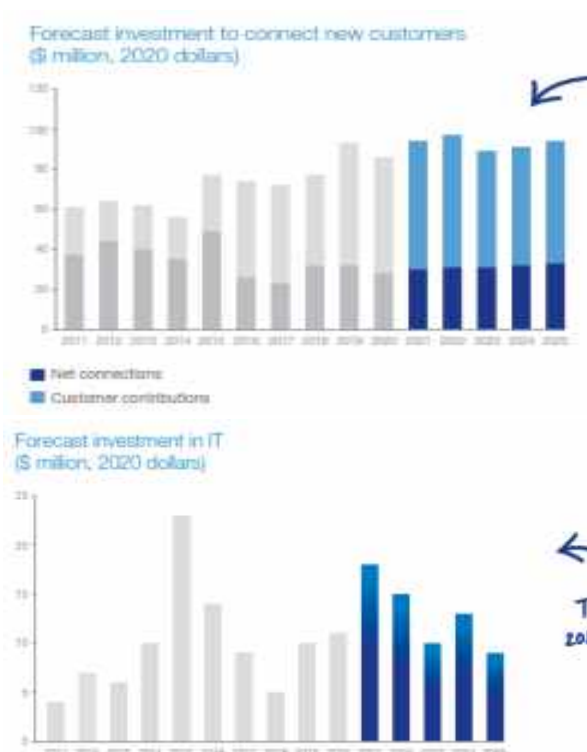
All categories of capex (replacement, augmentation, customer connections and ICT) are higher than in the current period.

Forecast investment to replace existing assets  
(\$ million, 2020 dollars)



Forecast investment to accommodate growth  
(\$ million, 2020 dollars)





## Pricing structures

Citipower observes that it is seeking to simplify the tariff structures and look to provide a tariff structure that is fairer and encourages better use of the assets.

Our aim is to set simple and fair price structures

Price structure	Description
Time of use	The price of the electricity changes throughout the day. It is higher at peak times and lower at other times.
Peak usage packages	The charge for your package would be the same each month based on your level of electricity use at peak times.
Demand	Your monthly charge would be based on your maximum electricity demand at peak times for that month.
Status quo	Your price structure would not change. Most customers are currently charged a fixed daily rate plus a charge for electricity use that varies with how much you use each day.

## Customer engagement

Citipower has entered into its customer engagement in a more comprehensive manner than in the past, following a conventional path incorporating discussions with a wide range of stakeholders (end users, experts, community leaders, retailers, etc) using a range of tools (customer panels, interviews, focus groups, forums, surveys, workshops, website) about a range of topics (the future needs of end users, options, tariffs, demand management opportunities, solar integration).



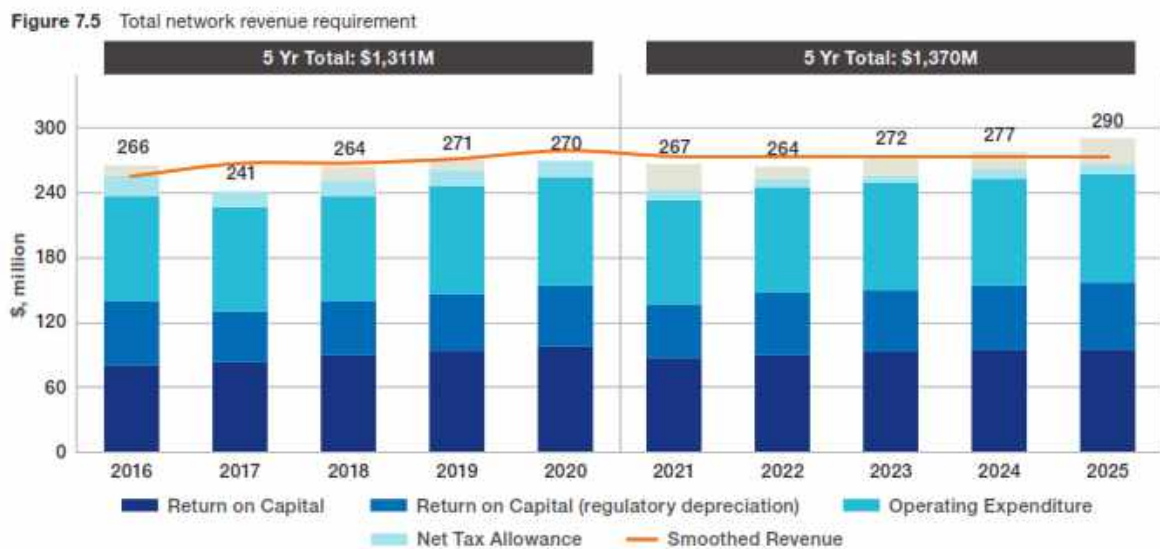
Citipower states that what it heard from its customer engagement was that its customers wanted an affordable service that was safe and dependable but reflected a “flexibility” needed to better manage the way consumers interact with the network.

## 6 Jemena

The draft proposal provided by Jemena is not as comprehensive as that of Ausnet but more so than that provided by Citipower, Powercor and United. This made analysis of the draft proposal more straight forward but while it provides a lot of the information required for some detailed analysis, it is quite deficient in many aspects to provide a comprehensive review.

### Affordability

Jemena does not state by how much tariffs will fall but does imply that tariffs could fall because of a small fall in required revenue from the levels between the start of the new period and the end of the current period. Whilst revenue claimed falls in the first two years, it exceeds the current levels of revenue in year three of the regulatory period.



Jemena provides an indication of the impact on residential customers of this forecast fall and that the “real” costs to customers will be static in the next period.

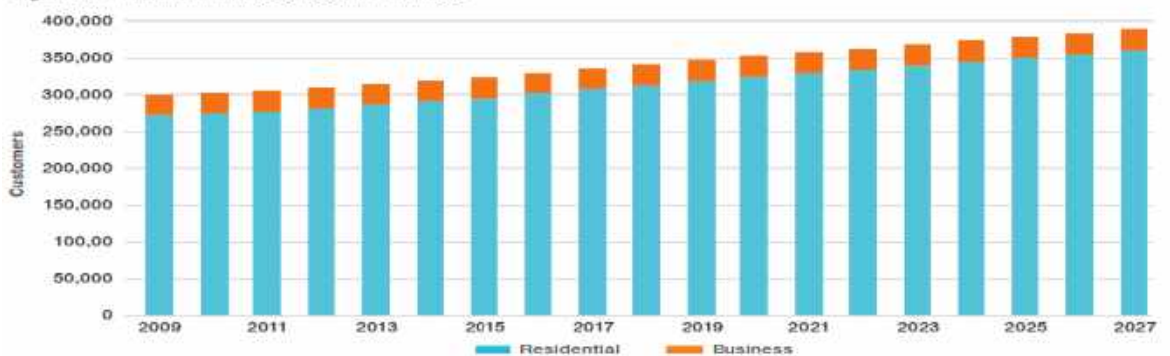
### Drivers of cost

Maximum demand is forecast to increase marginally over the next period as is the number of customer connections, implying a need for some augmentation investment.

Figure 5.10 System maximum demand

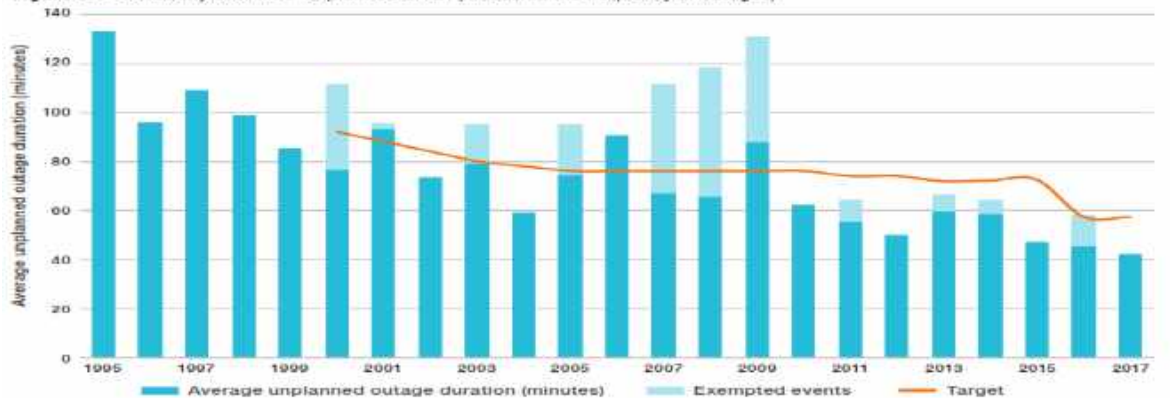


Figure 5.8 Historic and forecast customer numbers



Reliability continues to improve as does utilisation of the assets.

Figure 5.4 Reliability over time—unplanned SAIDI (measures the frequency of outages)



### Cost of capital

Jemena has followed the AER approach to the cost of capital, basing its return on equity on a risk free rate of 2.56% compared to the risk free rate used in the current period of 2.52%. The current risk free rate is some 150 bp lower than that used by Ausnet in its draft proposal.

### Asset base, depreciation and tax approach

The RAB proposed continues to grow as capex exceeds the depreciation claimed.

Figure 7.3 Network RAB trend



The approaches to depreciation and tax are in accordance with AER requirements

### Opex

Opex in the current period shows a significant trend downward delivering considerable savings against the allowed opex. Opex productivity increased marginally as a result.

Forecast opex shows a significant increase to match the highest level of opex seen in the last decade implying that productivity will decline.

Jemena follows the base-step-trend approach to setting opex but the step and trend changes add nearly 20% by the end of the forecast period.

Figure 6.2 Forecast operating expenditure for the past, current and next regulatory periods



The carry forward of the incentive payments for lower opex will increase the revenue requirement in the next period.

### Capex

Capex showed an increase in the current period, although this was still less than the allowance. While the first years of the new period show an increase in capex from the

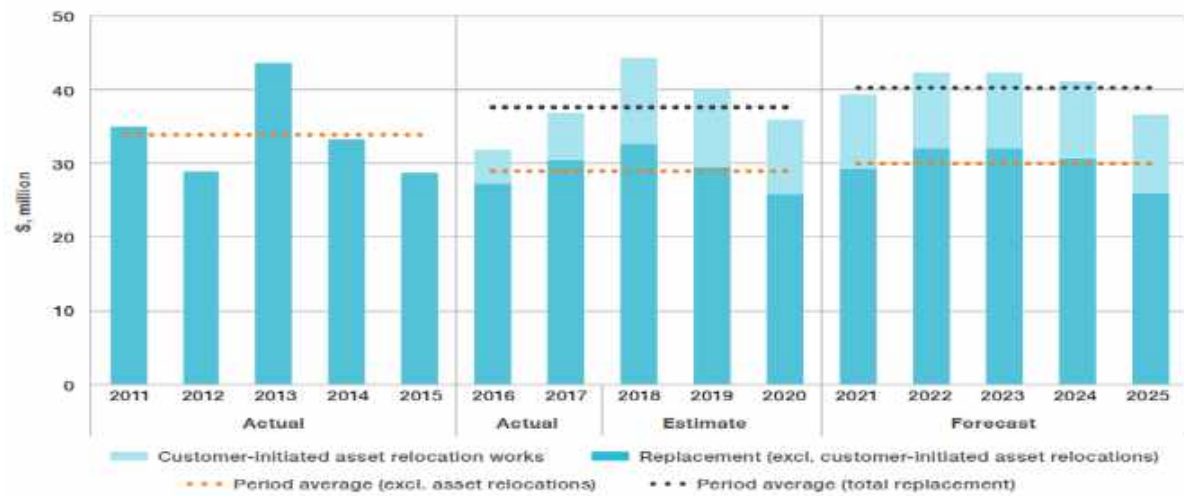
current period, capex in the latter years is generally less implying there will be an overall small reduction in capex for the next period.

**Figure 5.3** Network services capital expenditure by category

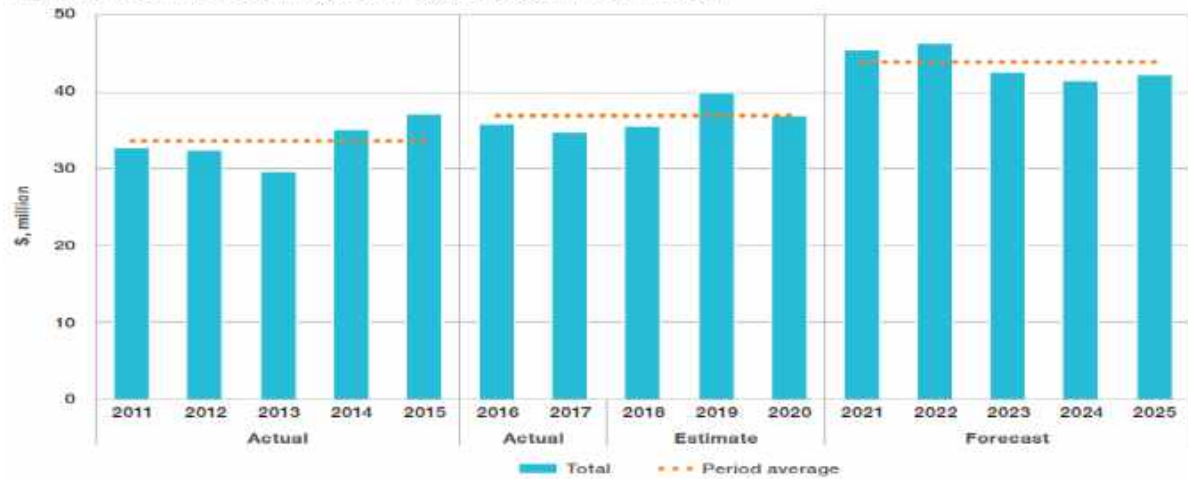


Replacement capex proposed is a little higher than in the current period, as is new connections and ICT capex.

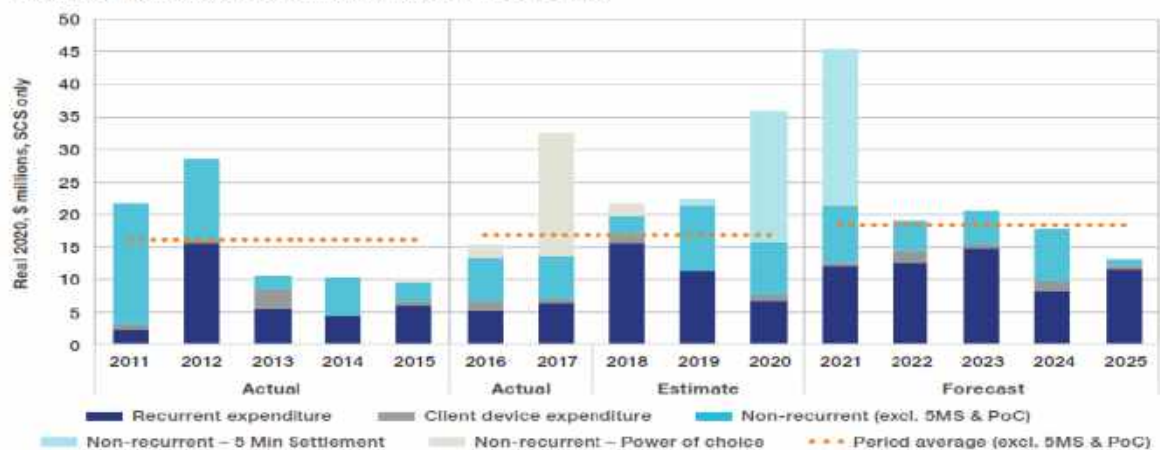
**Figure 5.6** Replacement capital expenditure



**Figure 5.9** Connections capital expenditure (excluding customer contributions)

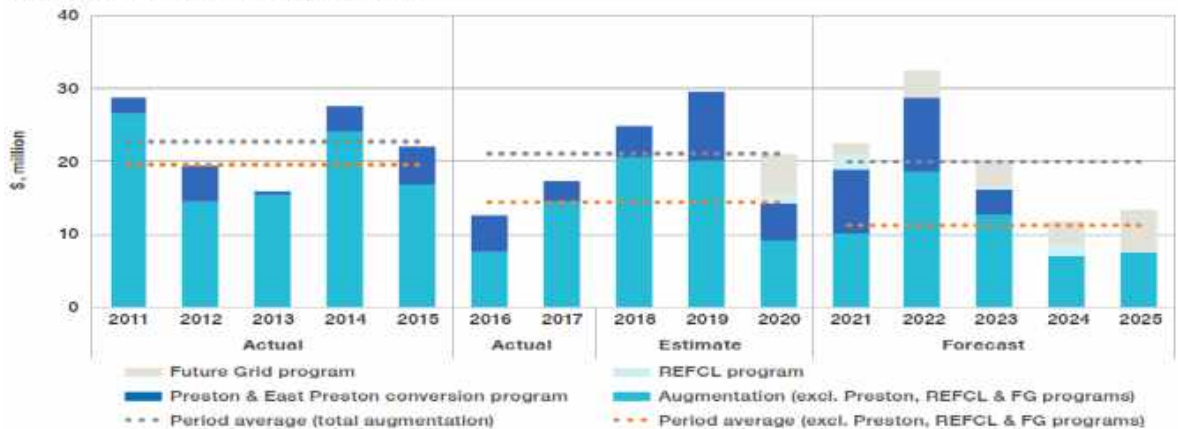


**Figure 5.14** Non-network IT capital expenditure - excludes metering



Augmentation capex proposed is less than was used in the current period.

Figure 5.13 Augmentation capital expenditure



### Pricing structures

Jemena comments that it has consulted widely on pricing and the outcome was that tariffs should be simple, efficient, adaptable, affordable and equitable.

Jemena put to its People's Panel the outcomes of the advice received. The People's Panel provided a view that they considered a demand based tariff was its preference, they also supported time of use tariffs but considered that an opt-out provision to change the tariff structure was needed.

### Customer engagement

Jemena notes that as their geographical area is small, implementation of a People's Panel was the most effective approach to testing the customer feedback they received, through using a jury concept. This panel reflected a group matching the demographic of the area.

Jemena entered into its customer engagement in a more comprehensive manner than in the past, more closely reflecting the IAP2 guidelines. The customer engagement followed a conventional path (Jemena called this its customer engagement journey) incorporating discussions with a wide range of stakeholders (end users, councils, retailers, etc) using a range of tools (customer panels, interviews, focus groups, forums, surveys, workshops, website) about a range of topics (the future needs of end users, information flow, community literacy on energy, options, tariffs, DM opportunities, solar integration, EV charging).

Jemena states that what it heard from its CE with businesses was that its customers wanted an affordable service that was reliable and sustainable.

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## 7 Powercor

The draft proposal provided by Powercor is very light on detail and provides considerable rhetoric and “feel good” commentary. Analysing the draft proposal was challenging, even when reference was made back to RIN data on historic outcomes.

### Affordability

Powercor is proposing a reducing in tariffs by 3.1% followed by no real increases thereafter.

### Drivers of cost

Maximum demand is forecast to rise by ~1.5% pa over the next period and customer numbers are forecast to increase at the historical rate.

Reliability continues to improve as does utilisation of the assets.



### Cost of capital

Powercor has followed the AER approach to the cost of capital, but does not advise what the risk free rate it used but it is expected to be in the range of 2.6-2.7% compared to the risk free rate used in the current period of 2.52%. The current risk free rate is some 150 bp lower than what Powercor might have used in its draft proposal.

### Asset base, depreciation and tax approach

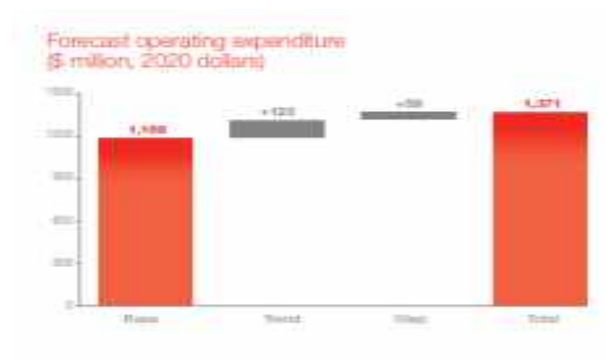
Powercor does not provide data on its RAB growth but it would appear that the RAB would continue to grow as more capex is proposed for the next period than was used in the current period.

The approaches to depreciation and tax appear to be in accordance with AER requirements.

### Opex

Powercor follows the base-step-trend approach to setting opex but the step and trend changes add over 15% increase.





Proposed step changes  
(\$ million, 2020 dollars)

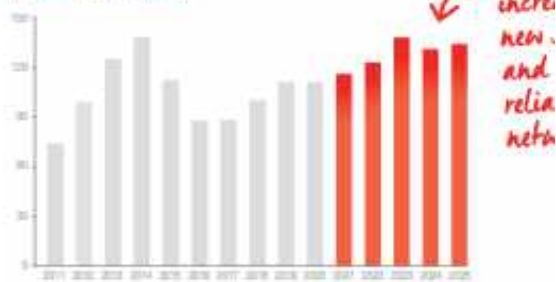
Proposed step change	Forecast operating investment	Deferred capital investment
New regulatory obligations related to market changes	13.8	N/A
New regulatory obligations related to safety and environment	31.5	N/A
Demand management	1.0	15.7
Expenditure trade-offs	11.7	25.2

## Capex

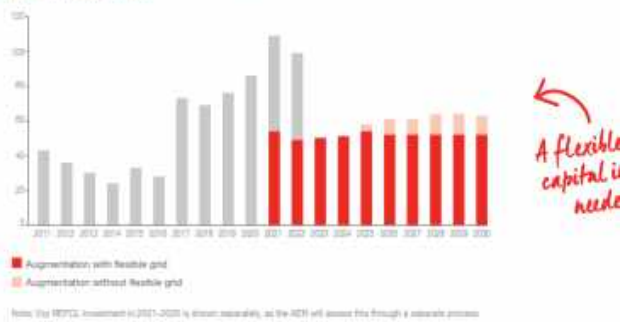
Most categories of capex (replacement, customer connections and ICT) are higher than in the current period but intriguingly, despite Powercor forecasting increases in peak demand, its augmentation capex shows a significant reduction from the current period.

As part of the approach to augmentation capex, Powercor is considering an approach which, while requiring more augmentation capex, would lead to a more “flexible” network but provides little explanation as to what this trade off might deliver to consumers.

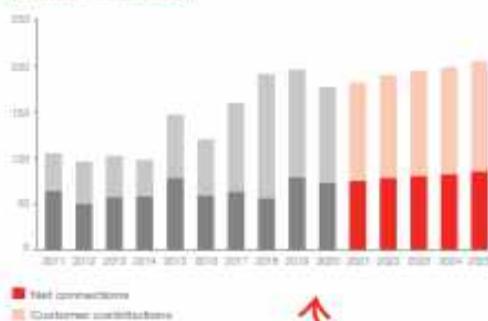
Forecast investment to replace existing assets  
(\$ million, 2020 dollars)



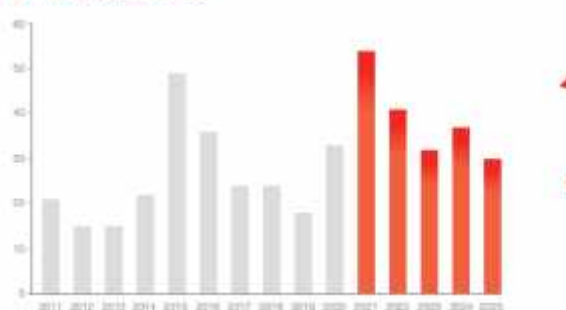
Forecast investment to accommodate growth  
(\$ million, 2020 dollars)



Forecast investment to connect new customers  
(\$ million, 2020 dollars)



Forecast investment in IT  
(\$ million, 2020 dollars)



## Pricing structures

Powercor observes that it is seeking to simplify the tariff structures and look to provide a tariff structure that is fairer and encourages better use of the assets.

Our aim is to set simple and fair price structures

Price structure	Description
Time of use	The price of the electricity changes throughout the day. It is higher at peak times and lower at other times.
Peak usage packages	The charge for your package would be the same each month based on your level of electricity use at peak times.
Demand	Your monthly charge would be based on your maximum electricity demand at peak times for that month.
Status quo	Your price structure would not change. Most customers are currently charged a fixed daily rate plus a charge for electricity use that varies with how much you use each day.

## Customer engagement

Powercor has entered into its customer engagement in a more comprehensive manner than in the past, following a conventional path incorporating discussions with a wide range of stakeholders (end users, experts, community leaders, retailers, etc) using a range of tools (customer panels, interviews, focus groups, forums, surveys, workshops, website) about a range of topics (the future needs of end users, options, tariffs, DM opportunities, solar integration).

Powercor states that what it heard from its customer engagement was that its customers wanted an affordable service that was safe and dependable but reflected a “flexibility” needed to better manage the way consumers interact with the network.

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## 8 United Energy

The draft proposal provided by United is very light on detail and provides considerable rhetoric and “feel good” commentary. Analysing the draft proposal was challenging, even when reference was made back to RIN data on historic outcomes.

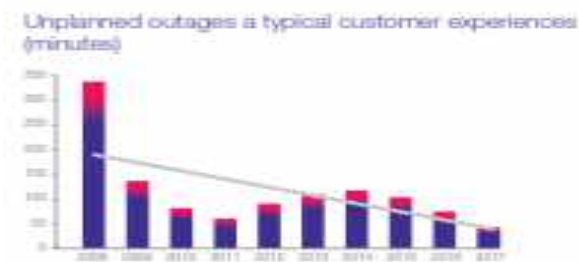
### Affordability

United is proposing a reducing in tariffs by 8.7% followed by no real increases thereafter.

### Drivers of cost

Maximum demand is forecast to rise by ~1% pa over the next period and customer numbers are forecast to increase at the same historical rate.

Reliability continues to improve as does utilisation of the assets.



### Cost of capital

United has followed the AER approach to the cost of capital, but does not advise what the risk free rate it used but it is expected to be in the range of 2.6-2.7% compared to the risk free rate used in the current period of 2.52%. The current risk free rate is some 150 bp lower than what Citipower might have used in its draft proposal.

### Asset base, depreciation and tax approach

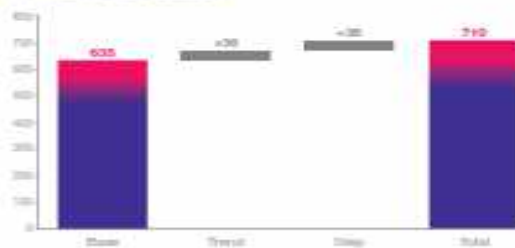
United does not provide data on its RAB growth but it would appear that the RAB would continue to grow as more capex is proposed for the next period than was used in the current period.

The approaches to depreciation and tax appear to be in accordance with AER requirements.

### Opex

United follows the base-step-trend approach to setting opex but the step and trend changes add over 10% increase.

Forecast operating expenditure  
(\$ million, 2020 dollars)



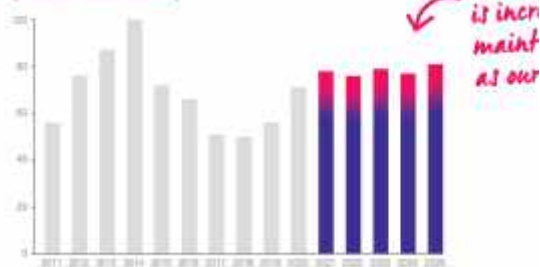
Proposed step changes  
(\$ million, 2020 dollars)

Proposed step change	Forecast operating investment	Deferred capital investment
New regulatory obligations related to market changes	28.9	N/A
New regulatory obligations related to safety and environment	1.5	N/A
Demand management	3.3	42.4
Expenditure trade-offs	4.6	5.2

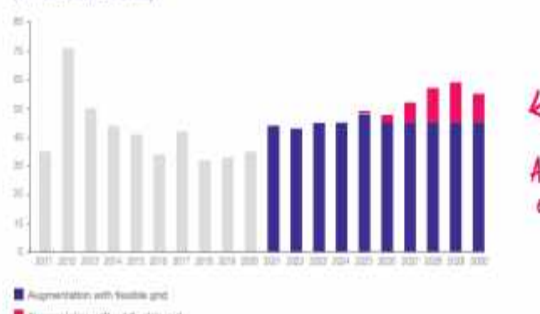
## Capex

All categories of capex (replacement, augmentation, customer connections and ICT) are higher than in the current period.

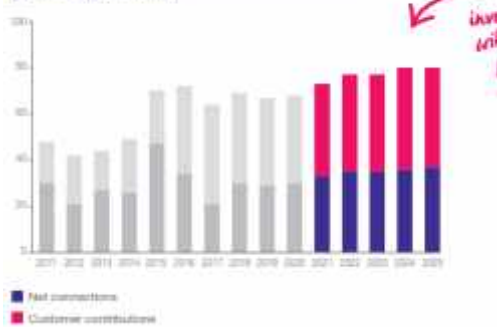
Forecast investment to replace existing assets  
(\$ million, 2020 dollars)



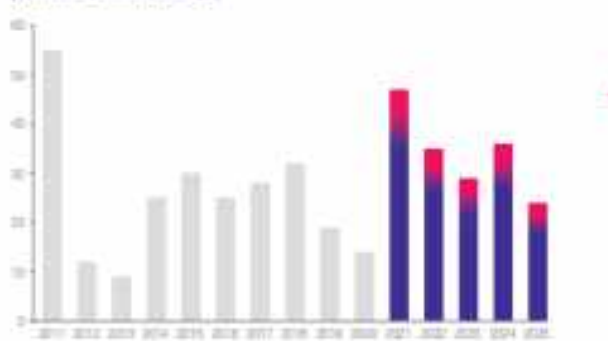
Forecast investment to accommodate growth  
(\$ million, 2020 dollars)



Forecast investment to connect new customers  
(\$ million, 2020 dollars)



Forecast investment in IT  
(\$ million, 2020 dollars)



## Pricing structures

United observes that it is seeking to simplify the tariff structures and look to provide a tariff structure that is fairer and encourages better use of the assets.

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range of tools (customer panels, interviews, focus groups, forums, surveys, workshops, website) about a range of topics (the future needs of end users, options, tariffs, demand management opportunities, solar integration).

United states that what it heard from its CE was that its customers wanted an affordable service that was safe and dependable but reflected a flexibility needed to better manage the way consumers interact with the network.

## 9 Appendix 1 – Draft Proposal Summary Tables

**Table 1- Network profile statistics**

	Jemena	Powercor	Citypower	United Energy	Ausnet Services
Victorians in network	343,000	1,750,000	600,000	1,450,000	735,000
Growth of customers between 2021 and 2025 (forecast)	8.00%	not given	not given	not given	6.50%
Peak demand average annual increase forecast pre year	0.90%	1.50%	0.40%	1.00%	2.00%
Distribution area km2	950	150,000	157	1,500	80,000
km of powerlines	6,900	82000	7,500	13,000	49,000
Number of poles	180,000	566,000	58,000	205,000	420,000
Percentage residential	89%	87%	84%	92%	90%
Number of large businesses	1,416	2,900	2,000	3,100	100
Current average annual residential cost inc metering 2020 \$2020)	\$455	\$436	\$365	\$388	not given



**Table 2- Revenue summary**

	Jemena	Powercor	Citypower	United Energy	Ausnet Services
2021-2025 Revenue without metering (\$2020)	\$ 1,368,000,000	ng	ng	ng	\$ 3,340,000,000
2021-2025 Revenue AMI (\$2020)	\$ 138,000,000	ng	ng	ng	\$ 293,000,000
2021-2025 Revenue total (\$2020)	\$ 1,506,000,000	\$ 3,386,000,000	\$ 1,266,000,000	\$ 1,840,000,000	\$ 3,633,000,000
Stated DP reduction % in revenue period on period	-4%	not given	not given	not given	3%
Stated DP reduction % between 2020 and 2021 (with 0 change in following years.)	not given		-3%	-5%	-9% not given
2021-2025 Revenue total (\$2020) per customer	\$ 4,391	\$ 1,935	\$ 2,110	\$ 1,269	\$ 4,943

**Table 3- Revenue summary**

	Jemena	Powercor	Citypower	United Energy	Ausnet Services
2021-2025 Capex (\$2020)	\$ 771,000,000	\$ 2,015,000,000	\$ 795,000,000	\$ 1,130,000,000	\$ 1,746,500,000
Capex increase period on period	-5%				-14%
2021-2025 Repex (\$2020)	\$ 150,000,000	\$ 644,000,000	\$ 194,000,000	\$ 398,000,000	\$ 694,600,000
Repex increase period on period	7%	29%	91%	35%	44%
2021-2025 Augex (\$2020)	\$ 100,000,000	\$ 258,000,000	\$ 246,000,000	\$ 225,000,000	\$ 168,400,000
Augex increase period on period	-5.20%				
2021-2025 IT capex	\$ 109,000,000	\$ 193,000,000	\$ 65,000,000	\$ 171,000,000	\$ 168,000,000

IT capex increase period on period		-13%					-0.6%
2021-2025 connections capex	\$	218,000,000	\$	400,000,000	\$	157,000,000	\$ 176,000,000 \$ 460,700,000
Connections capex increase period on period		19%					
2021-2025 other, remainder	\$	96,000,000.00	\$	309,000,000	\$	118,000,000	\$ 98,000,000 \$ 254,800,000

	Jemena	Powercor	Citypower	United Energy	Ausnet Services
Opex total 2020 dollars	\$ 488,000,000	\$ 1,371,000,000	\$ 471,000,000	\$ 710,000,000	\$ 1,229,000,000
Opex base 2020 dollars	\$ 410,000,000	\$ 1,189,000,000	\$ 417,000,000	\$ 635,000,000	\$ 1,048,000,000
Opex step 2020 dollars	not given directly	\$ 123,000,000	\$ 35,000,000	\$ 38,000,000	\$ 20,200,000
Opex trend 2020 dollars	not given directly	\$ 59,000,000	\$ 19,000,000	\$ 36,000,000	\$ 66,700,000
Opex other	na	na	na	na	\$ 94,400,000
Opex step reasons cited		New regulatory obligations related to market changes 13.8 New regulatory obligations related to safety and environment 31.5	New regulatory obligations related to market changes 12.6 New regulatory obligations related to safety and environment 1.4	New regulatory obligations related to market changes 28.9 New regulatory obligations related to safety and environment 1.5	REFCL \$8.6m, IT Cloud \$8m, IT Security \$1m, 5 minute rule \$2.6m

Demand management  
1.6  
Expenditure trade-offs  
11.7

Expenditure trade-offs  
4.7

Demand  
management 3.3  
Expenditure trade-  
offs 4.6