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Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

Submitted via website: [www.aemc.gov.au](http://www.aemc.gov.au)

### **Enhancing distribution network planning & reporting — draft rule determination (Ref. ERC0410)**

CitiPower, Powercor and United Energy welcome the opportunity to respond to the Australian Energy Market Commission's (AEMC's) draft rule and determination on enhancing distribution network planning and reporting.

We support the intent of the draft rule, namely to improve the transparency of the long-term plans for our network, to improve third-party visibility of our network data and to enable more holistic energy system planning. This will complement the LV data and constraints that we already publish as part of our non-network procurement platform to support non-network providers to deliver more non-network services for customers.

We also support the AEMC's general approach of drafting rules that are principles-based, and clearly demonstrate the intent of the rules, while leaving detailed design of the information required to be published under the Distribution Network Development Plan (DNDP) and data framework to the Australian Energy Regulator (AER). Principles-based rules allow flexibility to adapt to changing operating environments and stakeholder needs as they become more mature.

While principles-based rules are appropriate, we believe that including additional guidance and clarification in the final rule would improve outcomes for customers. Specifically, we recommend the final rules should:

- require the AER to have regard to the DNDP (including the scenarios considered and projects proposed) when assessing a DNSP's regulatory proposal
- empower the AER to apply decision-making weight to engagement findings and customer preferences in its assessment of the DNDP
- ensure that the rules governing development of the AER's forecasting guidance in its planning guidelines should be principles-based, similar to its guidelines for AEMO's development of the ISP
- provide principles-level guidance that DNSPs and the AER should consider the risks to customers under each scenario when determining efficient levels of expenditure
- clarify the process for updating the DNDP to reflect changes in final decision expenditure allowances compared to the regulatory proposal
- take greater consideration of the limitations and practicality on providing LV and MV forecasts for all assets over a 20 year horizon, and instead allow for aggregate forecasts in these areas of rapidly changing energy use
- retain the current 31st of December timing for the annual data update, given the resource and time required to fully update investment plans and the 3<sup>rd</sup> party dependencies on AEMO

These changes will ensure that the intent of the rule change is delivered while maximising net economic customer outcomes and providing greater confidence to stakeholders about the process for considering expenditure decisions. Our reasons and evidence supporting our positions are described in further detail below.

We also note that current jurisdictional arrangements are aligned with existing Distribution annual planning report (DAPR) requirements. We encourage the AEMC to work with jurisdictions to ensure national alignment with the DNDP.

We recognise that some of our recommendations are also relevant to the AEMC's electricity network regulation review as the scope of this review covers how the regulatory framework remunerates DNSPs for their efficient costs. Our recommendations should be considered as relevant in the electricity network regulation review as relevant.

Should you have any queries about the details contained in this submission, please contact Tim McNamara on 0498 383 253 or [tmcnamara@powercor.com.au](mailto:tmcnamara@powercor.com.au).

Yours sincerely

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### **The final rule should require the AER to have regard to the DNDP (including the scenarios considered and projects proposed) when assessing a DNSP's regulatory proposal**

The AEMC's draft determination states 'though the draft rule requires the DNSPs to submit their DNDP to the AER, it is not for the AER's approval. Rather it is in recognition that the DNDP can provide useful context for the DNSP's regulatory proposal and proposed investments'.

The AEMC responded to a question in its public forum over how the AER should treat the DNDP as part of a DNSP's regulatory proposal. Our understanding is that the AEMC's view is the DNDP is a separate document that can inform the AER's determination of revenue and capex allowances, but it does not mandate investments and so the AER does not 'approve' the plan.

Both our normal annual planning processes and our regulatory reset proposal require the development of bottom-up forecasts, assessment of constraints, proposed investments and the demonstration of economic benefits to customers from these investments. It is also supported by significant customer engagement through each stage of the development process to incorporate the views and preferences of our customers.

The draft rule indicates that the DNDP will be submitted alongside our regulatory proposal. The DNDP and our regulatory reset proposal will also use the same forecasts, describe the same projects and follow parallel consultation with stakeholders. Given there will be overlap in the requirements that underpin the development of the DNDP and the regulatory reset proposal, we agree that the DNDP will be a useful document to inform the AER's decision making processes.

However, some information produced for the DNDP may go further than typical information developed for a regulatory proposal. For example, the requirements to consider investments over a 20-year time horizon and across multiple scenarios. This additional information would add value to the AER's decision making processes and also ensure a level of standardisation across the information submitted under each DNSP's regulatory proposals.

We therefore recommend that the AEMC require the AER to have regard to the DNDP (including the scenarios considered and projects proposed) when assessing a DNSP's regulatory proposal in its final rule. To ensure the AER has regard to the DNDP we suggest the AER be required to set out reasons where it seeks to deviate from a proposed DNDP forecast.

Requiring the AER to have regard to the DNDP would ensure that the additional information prepared by DNSPs is sufficiently utilised and informs decision making while standardising regulatory processes.

### **The final rule should empower the AER to apply decision-making weight to engagement findings and customer preferences in its assessment of the DNDP**

We engaged extensively with customers to develop our recent 2026-31 regulatory proposals. Our customer advisory panel considered that our engagement was sincere, thorough and sustained, involving a variety of customer groups and other stakeholders.<sup>1</sup> Though not explicitly required to, we would leverage our stakeholder engagement processes to inform development of the DNDP, particularly as the DNDP should be assessed as part of regulatory submissions.

Through our engagement program, our customers generally supported the majority of our proposed expenditure. When presented with the outcomes that would be delivered and the associated costs and bill

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<sup>1</sup> Customer Advisory Panel report on Draft Proposals for 2026-31 reset, [CitiPower](#), [Powercor](#) and [United Energy](#)

increases, our customers believed that the investments we were proposing were in their long-term interests. Even customers who would not benefit from the investments we were proposing also supported these investments.

However, the AER ultimately rejected some of these programs in its draft decision, noting that community support is not sufficient to justify investments. During the AER's public forum for its draft decisions, our customer advisory panel questioned why the AER did not appear to have considered customer views in their decision, especially given the AER had not attended any of our customer advisory panel meetings or ground roots customer engagement sessions. The AER's final decision affirmed their draft decision position on the role of customer engagement, citing NER provisions and the expenditure criteria for prudence and efficiency.<sup>2</sup>

Our customers are best placed to determine what is in their long-term interests, particularly when customers reveal their preferences after being presented with several options including outcomes and bill increases. This is a fundamental pillar of determining efficient investment levels.

While the AER does place weight on customer preferences through the use of established customer valuations such as the Value of Customer Reliability (VCR) and Value of Network Reliability (VNR), we consider these valuations may increasingly understate customers' true preferences in the current operating environment. In particular, the VCR has been declining over time, despite our customers consistently telling us through recent engagement that they value reliability more than ever, reflecting their growing reliance on electricity as they electrify appliances, transport and business operations. This divergence highlights potential concerns of having a single body both develop and apply key economic values.

Our customer engagement followed a similar process to identify willingness to pay and revealed preferences that is relied upon by the AER. Despite this, the AER considers that it is not empowered to make expenditure decisions primarily based on customer preferences.

This inconsistency creates confusion for our customers and customer representatives who have engaged in good faith to share their preferences through the regulatory process, expecting these views to be considered in decision making. In addition to understated values, this is also the case across areas where the AER does not have established quantitative values to determine efficient investment levels for new or emerging issues, for example valuing undervoltage or regional and rural upgrades.

Given revealed customer preferences are a cornerstone of determining efficiency within the regulatory framework, it would be beneficial for the AEMC to assess the role of customer preferences in the regulatory framework and consider how they are treated in regulatory decision making. Empowering the AER to apply decision-making weight to robust engagement findings and revealed customer preferences, alongside existing valuation metrics, would better reflect contemporary customer expectations and support more efficient investment outcomes.

**The AEMC should ensure that the rules governing development of the AER's forecasting guidance in its planning guidelines should be principles-based, similar to its guidelines for AEMO's development of the ISP**

The AEMC proposes that the AER develop binding planning guidelines to provide clarity and consistency across how DNSPs undertake scenario analysis. We support these guidelines being binding if they include a similar level of prescription to the AER's guidelines for AEMO's development of the ISP. This level of detail, in that it is

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<sup>2</sup> For example, [AER - Overview - Final decision - Powercor distribution determination 2026-31](#) - April 2026, pp. 7-9

principles-based, is appropriate because it provides flexibility around specific forecasting methodologies so long as it meets the relevant principles.

We are concerned that the wording in the draft rule requires the AER to include forecasting ‘practices and processes’ in its forecasting guidelines, which is not principles-based but rather implies that the AER should specify methodologies and exacting processes to be followed. We do not support this rule drafting because it would restrict our ability to generate accurate forecasts by limiting our ability to apply methodologies or use forecasting tools that we consider appropriate. It may also restrict forecasting innovation.

We instead recommend that the reference to ‘practices and processes’ in rule 5.13.3(a)(1) be replaced with ‘principles’ to ensure the AER’s guidelines are targeted at an appropriate level of detail.

**The AEMC should provide principles-level guidance in the rules that DNSPs and the AER should consider the risks to customers under each scenario when determining efficient levels of expenditure**

There are growing levels of electrification across our customer base, particularly with the scale of potential gas electrification in Victoria. Customers are relying more on their electricity supply as they electrify more appliances and technologies. Our customers expect they have the ability to electrify and that their network will support them to do so, highlighting the essential nature of electricity.

In this context of growing electrification, the customer risks if network capacity investment is too slow are becoming more pronounced, including malfunctioning appliances, inability to connect CER, interrupted automation, curtailed EV charging and disruptions to daily livelihoods. The customer consequences if we invest too early are often far lower than the risks to customers if we are too slow.

Both the UK’s Office of Gas and Electricity Markets (OFGEM) and the European Union (EU) Commission have recognised this shift in risk profile when considering plausible future scenarios over the medium and long term. OFGEM has prioritised ‘building network infrastructure at scale and pace, ahead of need, to meet the demands of a decarbonised energy system as electrification grows’.<sup>3</sup> The UK’s National Infrastructure Commission has supported OFGEM’s approach, concluding that ‘fundamentally, the challenge is that the risks of falling behind demand now outweigh the potential downsides of building ahead of need’.<sup>4</sup> Similarly, the EU Commission recognised that ‘underinvesting may become costlier to society in the medium term than making anticipatory investments’ in its guidance note on anticipatory investment.<sup>5</sup>

In recognition of this shift in risk profile, we support the development of at least a central, low growth and high growth scenario. These scenarios would allow us to assess the relative customer impacts of various investments under different growth trajectories, including energy at risk and other factors such as safety risks and vulnerable customer impacts. However, the required time and resources to develop three (or more) separate scenarios including demand forecasts, behavioural preferences, customer engagement, proposed investments and demonstration of efficiency is not immaterial. It would be an inefficient use of resources to develop multiple scenarios and not have the AER consider the implications of each scenario in decision making.

If DNSPs are required to develop and build out several scenarios as part of the DNDP, we recommend that the AEMC provide principles-level guidance in the rules that DNSPs and the AER should consider the risks to

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<sup>3</sup> Ofgem, [Forward Work Programme 2026/27](#), p. 27;

<sup>4</sup> UK National Infrastructure Commission, [Electricity distribution networks: creating capacity for the future](#), p.39

<sup>5</sup> European Commission, [Commission Notice on a guidance on anticipatory investments for developing forward-looking electricity networks](#), p.4

customers under each scenario when determining efficient levels of expenditure. Placing decision-making weight on both low growth and high growth scenarios would recognise the shifting risk profile borne by customers as they electrify and avoid the inefficient use of DNSP resources.

**The AEMC should clarify the process to update the DNDP to reflect changes in final decision expenditure allowances compared to the regulatory proposal**

The DNDP submitted alongside regulatory proposals will be based on the expenditure forecasts proposed as part of the regulatory proposal. The expenditure forecasts approved by the AER in its final decision may differ, and in particular may not be sufficient to deliver the initial DNDP.

To ensure the DNDP remains deliverable and accurately provides visibility of up to date expected projects and remaining customer risks, we recommend that the AEMC clarify the process to update the DNDP following the AER's final determination of expenditure allowances. A natural date would be the end of June following release of the final determination in April.

**The AEMC should only require LV and MV forecasts to be provided in a supply area based on aggregate form, due to the limitations, and practicality of creating 20 year forecasts by asset at this level**

The AEMC recognises in its draft rule determination that there are limited benefits from adopting a 20-year forecasting horizon for low voltage feeders. This is also the case for MV feeders due to their capacity, and high levels of uncertainty from rapid changes in growth driven by external factors. While MV feeders will have a longer credible forecasting horizon than LV, given that they supply a larger volume of customers and have a subsequent higher level of diversification, a 20 year window is unlikely to be useful or accurate.

in order to meet a longer term forecast window for these assets provision of such forecasts in a more aggregated form will be more practical. This will show the number and severity of constraints over a larger forecast population, increase the level of accuracy, and still inform customers and stakeholders of the change that certain forecast scenarios may generate in energy use and constraints.

**The AEMC should retain the current 31<sup>st</sup> of December timing for the annual data update, given 3<sup>rd</sup> party dependencies on AEMO, and the time taken to update investment plans for rapidly changing scenarios**

The AEMC suggests in its draft rule determination that aligning with the RIO timelines of the 31<sup>st</sup> of October to publish an annual update to the DNDP would deliver efficiencies. The annual update will be delivered by similar people who prepare the RIOs for publication. This overlap in requirements would create significant resourcing peaks and unnecessary costs rather than delivering the efficiencies suggested by the AEMC. In addition, AEMO's inputs, assumptions and scenarios report (IASR) is published in July or August each year. An October deadline would make it highly challenging to fully consider the relevant changes in inputs and assumptions for forecasts if the annual update was required to be published by the 31<sup>st</sup> of October.

Retaining the 31<sup>st</sup> of December would therefore be preferable to ensure we are able to fully consider the opportunities that new forecasts may create, produce a more robust update to the DNDP, and deliver more valuable information for customers and stakeholders.