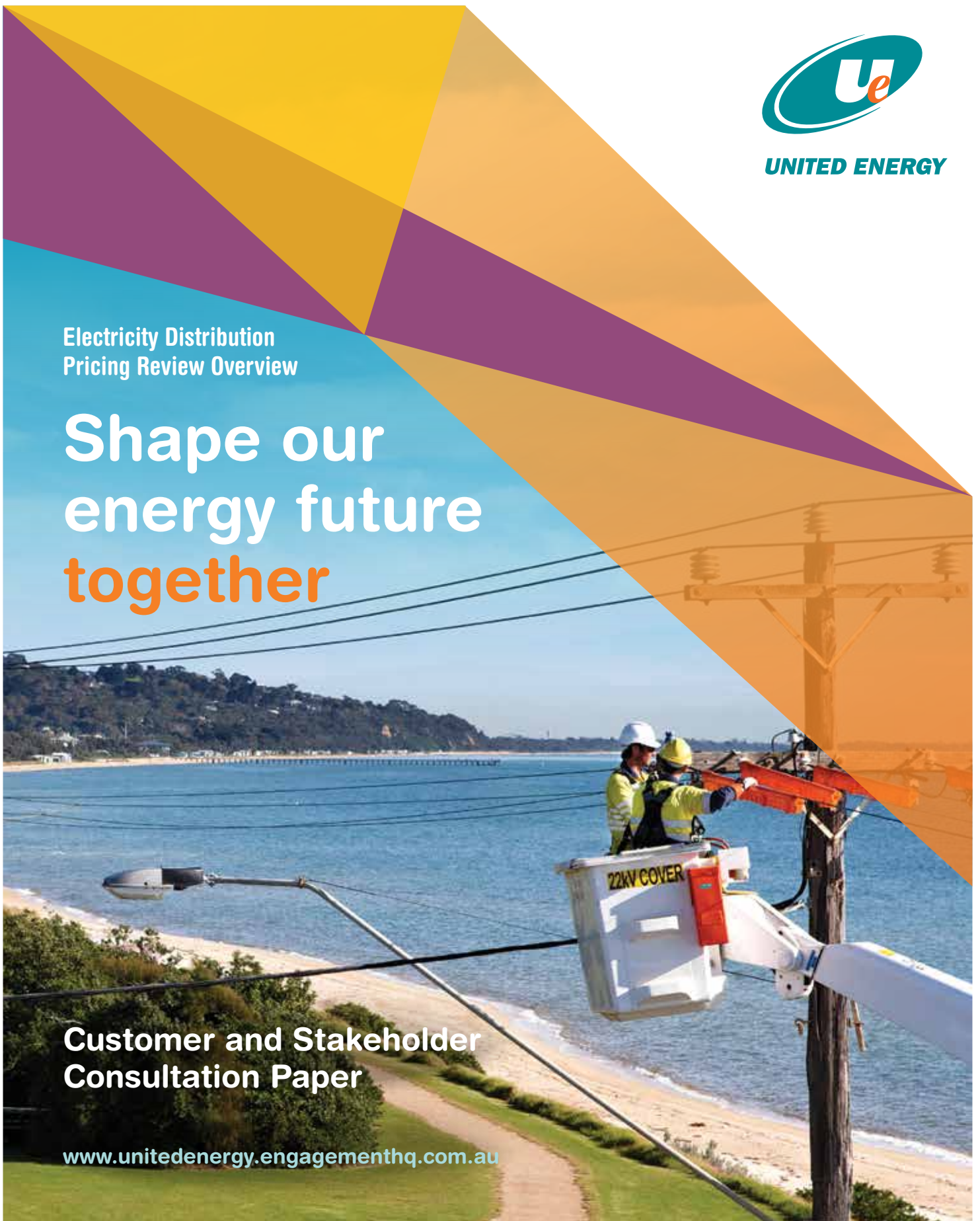


Electricity Distribution  
Pricing Review Overview

# Shape our energy future together

**Customer and Stakeholder  
Consultation Paper**

[www.unitedenergy.engagementhq.com.au](http://www.unitedenergy.engagementhq.com.au)

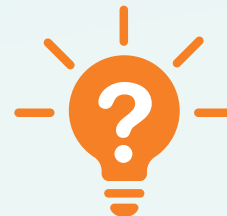


At United Energy, we are committed to meeting our customers' electricity needs. We're on a journey to create *The Intelligent Utility* – a future defined by a strong customer focus, an emphasis on safe and reliable energy supply, and the exploration of new technologies.

We're interested in your feedback on the directions and priorities outlined in this paper and invite you to have your say by making a submission.

**SUBMISSIONS  
CLOSE 5PM AEST  
20 MARCH, 2015.**

Part of creating *The Intelligent Utility* is finding out what you expect from us.



## ABOUT US

3	Foreword
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## OUR CUSTOMERS

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### WHAT IS THE ELECTRICITY DISTRIBUTION PRICING REVIEW?

Every five years, the Australian Energy Regulator (AER) resets prices for electricity distribution for the next five years. These prices reflect the costs of investing in the network and running it to ensure we keep the lights on in line with your expectations, plus a fair rate of financial return.

As one of five electricity distributors in Victoria, United Energy is proud to provide safe and reliable electricity to more than 650,000 customers across east and south-east Melbourne and down to the Mornington Peninsula.



# A word from our CEO

**\$55**   
Approximate price cut we will deliver over the next regulatory period.

**WE HAVE A RESPONSIBILITY TO OUR CUSTOMERS AND TO OUR COMMUNITIES THAT IS AT THE CORE OF EVERYTHING WE DO.**

Electricity distribution infrastructure is on every street, connecting every home and business to our network. We have a responsibility to our customers and to our communities that is at the core of everything we do.

We are currently on a journey to create *The Intelligent Utility* – a future defined by a strong customer focus, a continual emphasis on the provision of safe and reliable energy, and the exploration of new and emerging technologies.

We are now at the next stage of our transformation, working with our customers to better align our organisation to the evolving energy landscape.

Our 2016-2020 Regulatory Proposal will map out how we will continue to deliver safe, reliable energy while ensuring our network is agile enough to meet the changing needs of our customers.

We have consulted widely with our customers on how we invest in network infrastructure. This document sets out our direction and priorities over the next five years. Its purpose is to provide you with a concise overview of our plans, objectives and price, so you can provide feedback.

It is a critical part of the development of our proposal to the Australian Energy Regulator, which we will submit at the end of April this year.

The way our customers use the grid today is very different to how it was used ten years ago.

You have told us to embrace new technologies and make better use of the opportunities distributed generation can provide. So that's what we're doing.

We know energy prices are a real concern for our customers. Cost of living pressures impact families and businesses alike, so while maintaining our focus on reliability and safety, we are also proposing to deliver real price cuts in the 2016-2020 period.

We will do this by focussing on the lowest cost options to replace end-of-life assets, and pursuing alternatives to traditional investment in network capacity to meet growth in peak demand.

Customers have told us what they want from their network business and we have listened. Through ongoing engagement and consultation, we will shape our energy future together.



**Hugh Gleeson**

Chief Executive Officer  
United Energy and Multinet Gas



# We're on a street near you

## WE CONNECT YOU TO THE ENERGY SOURCES YOU USE EVERY DAY.



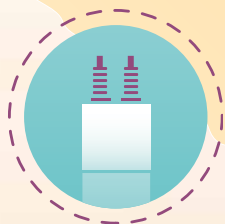
When you flick a switch and power comes on in your home, at work, in a school or hospital – that's us doing our job. We make sure the energy you need gets to your home, in the office or the classroom. We also power businesses, cafes and stores – and we light up the streets at night.

To do all this, we take care of the distribution network that brings energy to your door, wall, desk or ceiling.

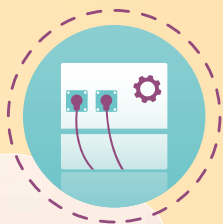
In other words, we build, operate and maintain the poles, wires and other infrastructure that keeps the distribution network running.

We don't generate electricity or sell it to you directly. And we don't send you bills for the energy you use. But no matter who you buy your energy from and who sends your bill, we are responsible for making sure you can power your home, safely and reliably.

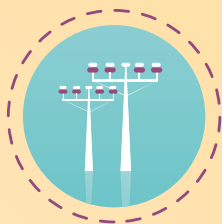
## IN ALL, WE OPERATE AND MAINTAIN A NETWORK OF:



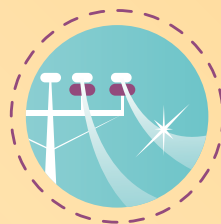
**46**  
zone stations



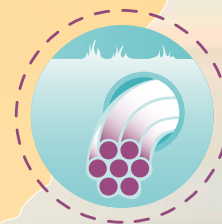
**12,600**  
distribution  
substations



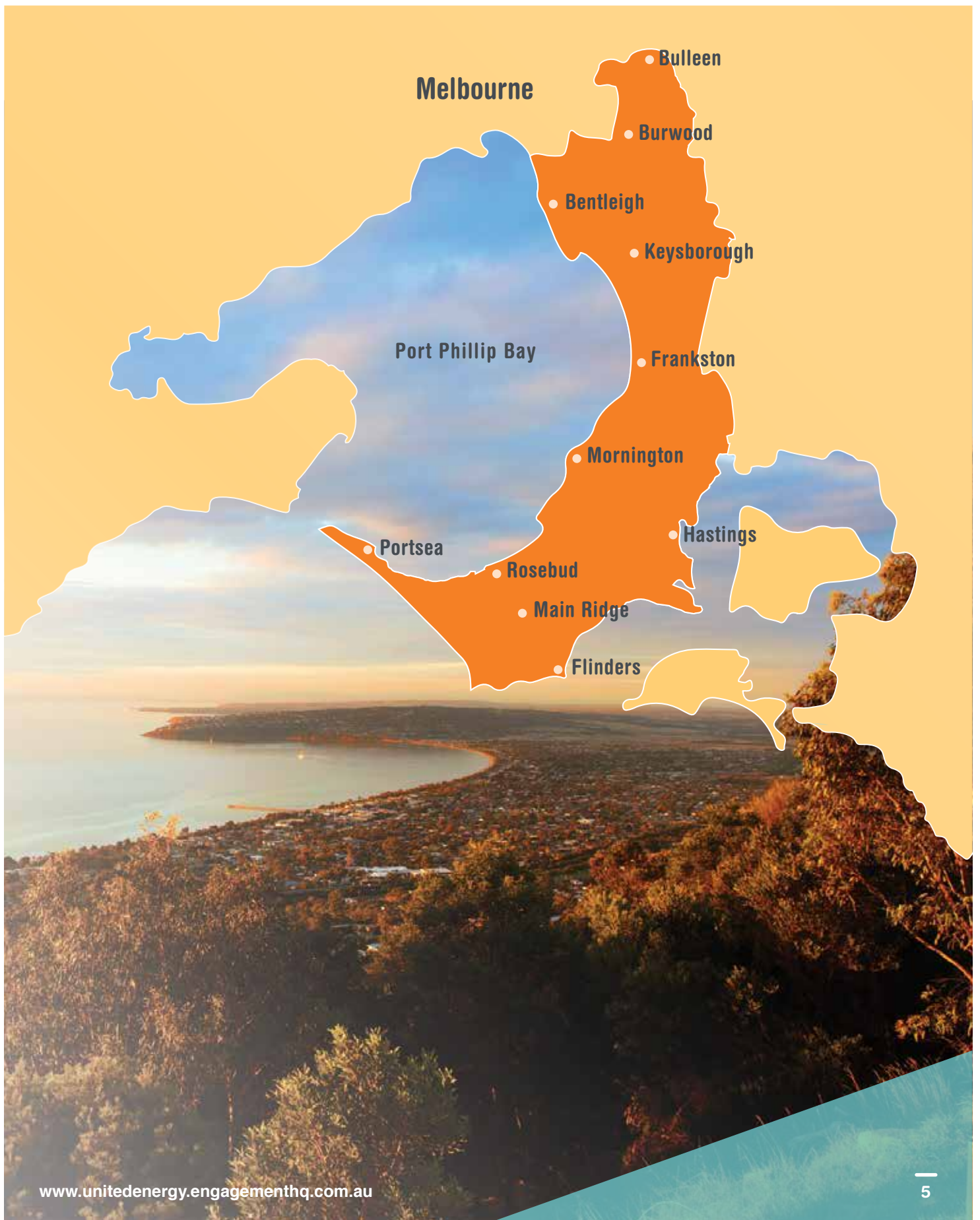
**215,000**  
poles



**10,200**  
kilometres of  
overhead  
power lines



**2,600**  
kilometres of  
underground  
cables



**Melbourne**

• Bulleen

• Burwood

• Bentleigh

• Keysborough

• Frankston

• Mornington

• Hastings

• Portsea

• Rosebud

• Main Ridge

• Flinders

**Port Phillip Bay**



# Our customers are diverse

## A KEY CHARACTERISTIC OF OUR NETWORK AREA IS CULTURAL DIVERSITY.

36 per cent of our resident population were born overseas compared to the Victorian average of 28 per cent. In some parts the figure is as high as 60 per cent. The cultural diversity of our distribution area is further highlighted by 31 per cent of people who speak a language other than English at home compared to the Victorian average of 24 per cent.



**36%**

Were born overseas



**CULTURAL  
INDICATORS  
OF OUR  
CUSTOMER**



**31%**

Speak a Language  
Other Than English  
at home





Track your  
electricity usage at  
[energyeasy.ue.com.au](http://energyeasy.ue.com.au)

# The Rewired Project

## **WE HAVE COMMITTED SUPPORT FOR A UNIQUE ENERGY LITERACY PILOT PROGRAM.**

As part of our efforts to address the needs of specific customer groups within our community, we have committed to financial and in-kind support for a unique pilot program to increase energy literacy among our culturally and linguistically diverse (CALD) communities. The Rewired project is being delivered by the Springvale Community Aid and Advice Bureau (SCAAB).

The Rewired project will encourage sustainable behaviour change around energy usage among CALD communities and low income households in Melbourne's South East, by educating and empowering communities to understand the modern energy market and energy technology and to make informed decisions about their energy services and usage habits.



In addition to financial support for the pilot program, United Energy is committing staff time to provide energy training to SCAAB's Settlement and Community Support service areas to enable SCAAB staff across the organisation to work with communities and help clients manage energy issues through our suite of programs into the future. The Rewired pilot will conclude in November 2015.

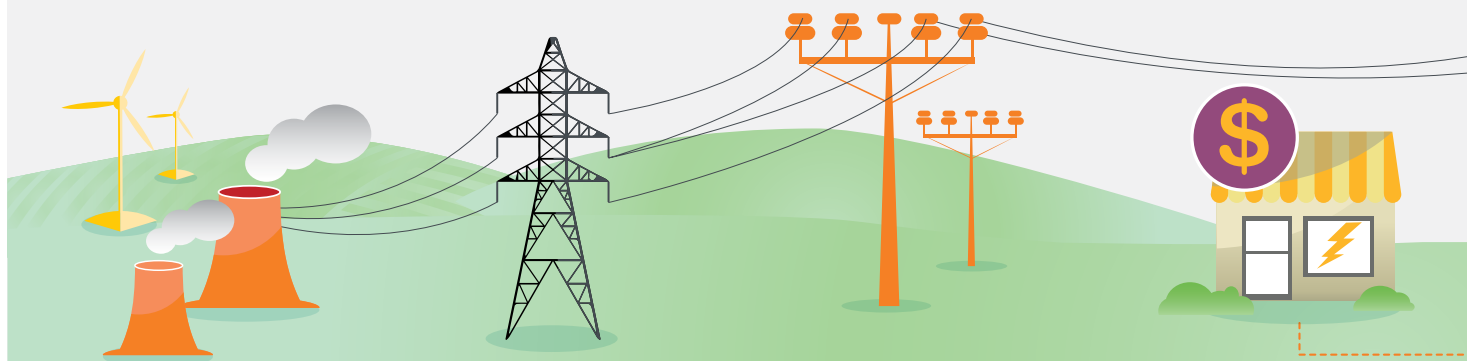
# Our role in energy supply

## WE'RE A LINK IN THE ENERGY SUPPLY CHAIN.

United Energy is a link in the energy supply chain and operates under a distribution licence issued by the Essential Services Commission of Victoria. As many of the services we provide aren't subject to competition, the Australian Energy Regulator sets prices we can charge for our services.

Every five years, the Australian Energy Regulator reviews the pricing structure for electricity distribution. In April 2015, we'll submit a proposal outlining forecasts of capital and operating expenditure we will need to construct, operate and maintain our distribution network over the next five years from 2016.

## THE ENERGY SUPPLY CHAIN:



# Electricity network regulation

**ELECTRICITY  
DISTRIBUTION  
INFRASTRUCTURE IS  
LARGE AND EXPENSIVE  
- AND IT'S ON  
EVERY STREET.**

The large scale of electricity distribution infrastructure makes it most efficient to have one distributor providing a service to any one region. This means that many of our services aren't open to competition. Some services are however contestable and customers can choose who provides these services – this is to be expected as technology evolves.

## **2016-2020 Electricity Distribution Pricing Review Process**

To ensure our investment proposals meet the needs, expectations and long term interests of our customers, we embarked on a comprehensive multi-channel customer and community engagement program.

The aim of our program was to give customers and other stakeholders the opportunity to express their views and concerns and provide input on how we invest in their electricity network.

Our program included direct customer engagement through customer kiosks in major shopping centres within our network area and an online engagement portal.

A multi-stakeholder Customer Consultative Forum provided us with an opportunity to deep dive on what customers want from our electricity distribution network. We've also run a series of focus groups and conducted a best practice survey to assess customers' willingness to pay or trade savings for changes to existing service levels, or the introduction of new services.

We will continue using these insights to ensure our future network investments are targeted and that our service offering meets customers' expectations.



# Who are our stakeholders?

**WE HAVE MAPPED  
OUR STAKEHOLDERS  
TO BETTER  
UNDERSTAND THEIR  
DIVERSE NEEDS.**

To ensure we captured the breadth of our stakeholders' long term interests, our engagement process considered their various capacities to engage, the impact of different elements on them, and their areas of influence.

By mapping our stakeholders, we were able to examine the key areas where we were making decisions in the preparation of the Regulatory Proposal and work through how best to consult with our diverse stakeholder and customer groups.

<b>BASIC</b>  Have limited or no knowledge of United Energy	<b>MODERATE</b>  Have a moderate knowledge of United Energy	<b>DEEP</b>  Have or will develop a good knowledge of United Energy
Are concerned with electricity outcomes generally not electricity distribution services specifically.	Are only concerned with electricity distribution services that are relevant to their own activities.	Are concerned with electricity distribution services as they are critical to their own roles and responsibilities.
<ul style="list-style-type: none"><li>• Typical residential and business customers</li><li>• Future customers, including students</li><li>• Mainstream media</li></ul>	<ul style="list-style-type: none"><li>• Local Members of Parliament</li><li>• Local government</li><li>• Developers</li><li>• Electricity intensive customers</li><li>• Customer representative bodies</li><li>• Social services agencies</li><li>• Other utilities</li><li>• Registered electrical contractors</li><li>• Subcontractors</li><li>• Debt providers and ratings agencies</li><li>• Environmental groups</li></ul>	<ul style="list-style-type: none"><li>• Energy Minister and relevant Victorian Government department</li><li>• Regulators</li><li>• Ombudsman</li><li>• Electricity industry participants</li><li>• Generators and aggregators</li><li>• United Energy employees</li><li>• United Energy shareholders</li></ul>



# We've been getting to know you

## WE RECOGNISE THAT TO BE MEANINGFUL, COMMUNICATION NEEDS TO BE TWO-WAY.

There are enormous benefits, both to our community and to us as a business, from a deeper, genuine engagement with our stakeholders.

We have a responsibility to provide information about what we do, what drives our decision-making and what we are doing to plan for the future. Equally important is the need to seek the opinion of our community, take time to understand those views and incorporate them into our planning.

Customer engagement in the development of our investment plans for the 2016-20 pricing period has gone through three stages so far, starting way back in December 2013.



This document, published for your comment and feedback, represents the fourth stage in the development of our proposal to the Australian Energy Regulator. Our customer engagement will continue as part of our everyday business.

## OUR ELECTRICITY DISTRIBUTION PRICING REVIEW (EDPR) PROCESS:





### Phase 1:

## Customer and stakeholder engagement strategy development

We recognised that in order to meet changing community expectations, we needed fresh thinking about the way we communicate. We developed our Customer and Stakeholder Engagement Strategy to outline our commitment and approach.



### Phase 2:

## Customer priorities research

From April to July we undertook a range of research initiatives to establish customer priorities and assess customers willingness to pay or trade for changes to service levels, or for us to introduce new services to you.

- First we reviewed customer research undertaken in July 2013, to establish a baseline for key customer priorities. This research included 14 in-depth interviews with business customers and six focus groups with residential customers.
- Focus groups: 57 people representing business and residential customers took part in focus groups held across our network in St Kilda, Dandenong and Rosebud.
- Workshops were held with representative groups and some of our large business customers.
- We undertook a best practice survey to assess customers' willingness to pay or trade savings for changes to existing service levels, or the introduction of new services. More than 1,100 people took part in the survey to give us a final sample of 960 customers from across our network.



### Phase 3:

## Community outreach and consultation

- We conducted a community roadshow in August and September, hosting a kiosk in three suburban shopping centres in our network area at Chadstone, Frankston and Glen Waverley. More than 1,000 people came along to find out more about our services and plans over the three weeks, with around 300 people completing an online survey to tell us what was important to them when it comes to electricity.
- From July to December we held monthly in-depth workshops with diverse representative groups to discuss key issues including public lighting, customer service and communication, network innovation and investment, demand forecasting, environmental programs, safety initiatives and pricing scenarios.
- We've also held numerous individual meetings with key stakeholders to discuss specific issues and priorities and to inform the shape of our investment plans to 2020.



## AWARENESS

Those who have relatively low awareness of United Energy would like to know more about us and the services we provide.



## RELIABILITY

You generally have little or no appetite for improved reliability – in fact your perception of reliability is better than it actually is.



## SAFETY AND ENVIRONMENT

You generally consider that we are doing a reasonable job of looking after the day-to-day issues of vegetation management, safety and aesthetics.



## COMMUNICATION

You want better communication from United Energy about planned and unplanned interruptions, with your primary interest being when the power will come back on.



## PRICING

You generally want better and more timely information to control your electricity bills.



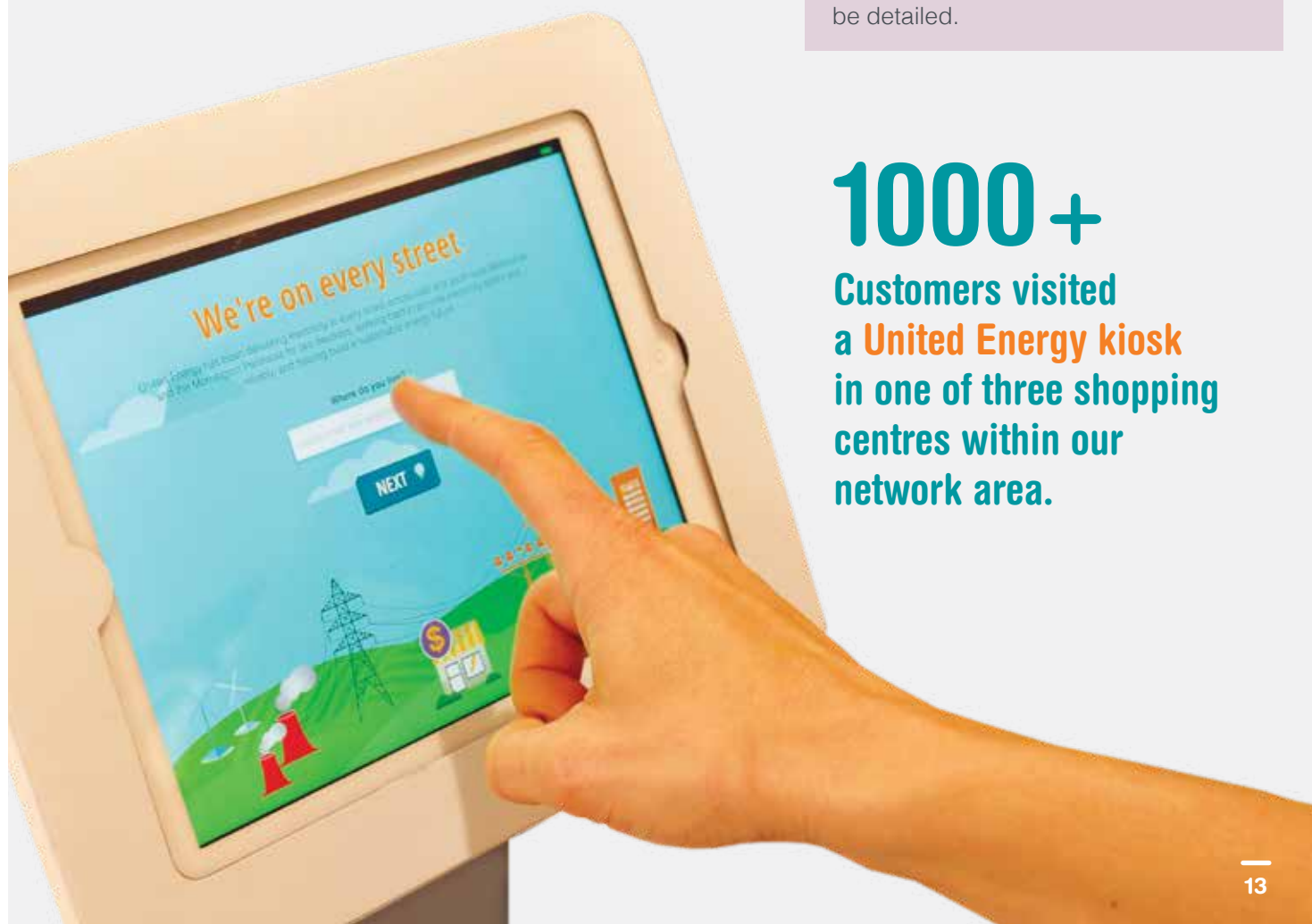
## CONSUMPTION

Residential customers are generally willing to respond to incentives to reduce their peak demand. This is more difficult for business customers.



## BILL CONTROL

Customers generally do not understand the cost breakdown of retail bills, but think that our component should be detailed.



**1000+**  
Customers visited  
a **United Energy kiosk**  
in one of three shopping  
centres within our  
network area.



**Customer  
focus**



**Safe & reliable  
energy**



**Future  
technologies**

# We're thinking about the future...

## **THE AUSTRALIAN ENERGY LANDSCAPE IS CHANGING RAPIDLY.**

During the 2011 – 15 period, United Energy began a journey to transform our business to keep pace with major shifts in technology and the expectations of customers.

By focusing on building greater flexibility into our business and our strategies, we are better placed to manage change in risk while delivering the best possible value proposition for our customers.

Our transformation journey included growing our business while consolidating functions and establishing a Network Control Centre to improve service delivery outcomes and position the business to realise the network benefits from the completion of the smart meter rollout.

Maintaining a safe and reliable supply of electricity for our customers is always our first priority, but we challenged ourselves to do this as cost effectively and innovatively as possible, to ensure any costs passed on to customers are as low as possible.

## **And we're helping to shape it too.**

In January 2014 we commenced the voluntary Summer Energy Demand trial to test customers' response to financial incentives to reduce peak demand and build understanding of the impact of peak demand on electricity prices.

We have also been actively engaged in the debate on reforms to network pricing and in mid-2015 will introduce a voluntary capacity tariff for the first time. One of the objectives of this new tariff is to create price signals that support more effective peak demand management and reduce the need to invest in capacity that is called upon for only a few days per year.

We're also looking at how we support technology innovation and new energy sources as we move to a lower carbon future.

The Intelligent Utility is not just the way we think about ourselves or our business. It's the way we think about energy and distribute it in the future.





**United Energy has been on every street across our network for two decades working hard to deliver electricity safely and reliably.**



# Delivering efficiencies

**OUR INNOVATION HAS LED TO US DELIVERING EFFICIENCIES OVER SEVERAL PRICING PERIODS.**

According to annual benchmark reporting by the Australian Energy Regulator, United Energy is one of the most efficient distributors nationally across a variety of measures:

- Under most measures Victorian and South Australian distributors appear more productive in their use of operating expenditure because they generally have the lowest ratio of operating expenditure per unit of output.
- Victorian distributors appear the most efficient in the use of assets because they have the lowest asset cost per customer regardless of customer density.
- On total costs, while relative performance of the distributors depends on the measures used, the Victorian and South Australian distributors appear the most efficient. When total cost is compared to customer density the Victorian distributors appear the most efficient regardless of customer density.
- Measured on multilateral total factor productivity, Victorian and South Australian distributors are the most productive.



It's our job to supply continuous electricity to our customers.

# What's next?

## THE TRADITIONAL ROLE OF DISTRIBUTION BUSINESSES HAS CHANGED.

When United Energy started on its transformation journey, it was with the knowledge that we would have to become a more outwardly focussed business.

Our key priority in the 2016 – 2020 period is to embed customer engagement into every part of our business while delivering on what our customers have identified as their priorities.

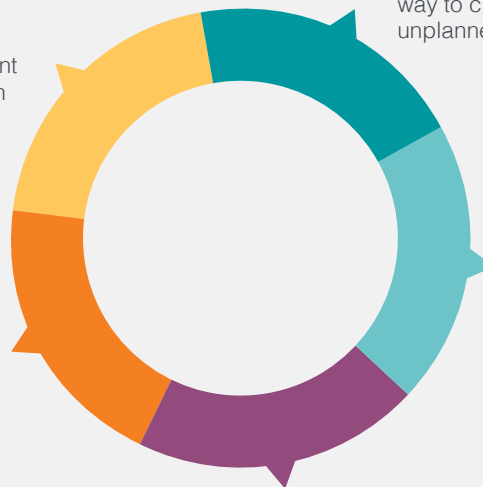
## OUR FUTURE FOCUS:

### Alternative Investments

Alternatives to traditional investment in network capacity to meet growth in peak demand, with a focus on delivering the least cost outcome to keep prices down.

### Maintenance of Network

Maintenance of network performance levels.



### Better Quality Information

Delivered in a timely and convenient way to customers on planned and unplanned supply interruptions.

### Empowering Customers

Convenient access to data and information to empower customers to make effective choices in relation to consumption and energy supply.

### Effective Management

Effective management of safety.

# Empowering you

## OUR IT CAPITAL INVESTMENT FROM 2016–2020 WILL FOCUS ON EMPOWERING YOU.

We'll do this by giving you convenient access to information in relation to the network and your energy choices by:

- Providing you with more accurate and timely **information on unplanned outages** to assist your decisions in how to respond at home and at work
- Provide online customer claim facilities and tracking tools
- Enhance our existing **Energy Easy customer portal** to allow you to receive notifications and clear energy consumption data, and to receive maximum benefit from smart meters
- Implement a self-service **New Connections portal** for customers, electricians and developers to streamline the connections process.

## WE HAVE INTRODUCED A MAJOR INITIATIVE TO DELIVER AN EFFORTLESS CUSTOMER EXPERIENCE.

Our proposed IT investment over the 2016-20 period extends this program to assist customers to better understand their energy choices and provide the tools they need to make these choices in the future.

We will ensure that we meet the engagement expectations of our customers and stakeholders by investing in specialist skills and resources.

## WE WILL FOCUS ON COST-EFFECTIVE NETWORK CAPITAL INVESTMENTS.

Our network capital investment will focus on the lowest cost to:

- Replace assets at or nearing end of life, so that total life cycle costs and network performance are optimised
- Maintain existing average reliability standards
- Improve reliability outcomes for those customers in our worst served areas
- We will continue to pursue alternatives to traditional investment in network capacity to meet growth in peak demand.

## NEW TECHNOLOGIES WILL ADD TO THE COMPLEXITY OF ENERGY SUPPLY.

Just as solar PV has done, new technologies will enhance customer choice and environmental outcomes. However, the grid will retain its primacy in the distribution of energy, leading to the integration of these technologies rather than defection by customers. We will continue to develop a network that delivers a critical, sustainable service to our community for the long term.



33%



The proportion of the average domestic electricity bill made up of network charges.

# Future affordability

**WE ARE ACUTELY AWARE THAT AFFORDABILITY IS A MAJOR ISSUE FOR OUR CUSTOMERS.**

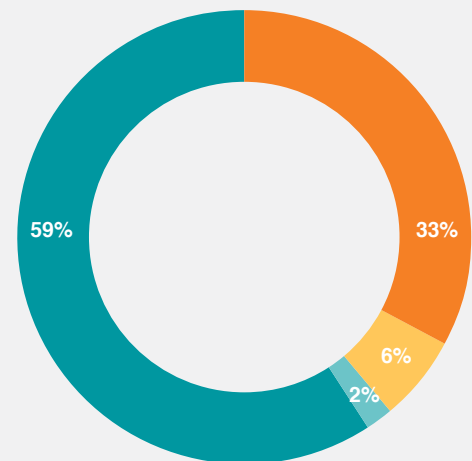
Despite privatised networks in Victoria delivering superior outcomes in terms of cost and performance, electricity affordability is clearly a major issue for our customers.

Over the course of the next regulatory period, we propose to deliver price cuts of approximately \$55, while improving our customer service, maintaining safe and reliable electricity supply and investing in new technologies.

This price impact combines network tariffs and the cost of advanced metering infrastructure (AMI) charges, which make up our charges to the customers.

Further cuts, while possible, would lead to detrimental impacts on service levels including reliability, which we do not believe are in the long term interests of our customers. Furthermore, our research and stakeholder engagement has not identified an appetite for reduced reliability or service levels among our customers.

## BREAKDOWN OF YOUR ELECTRICITY BILL:



- UE network charges
- Transmission
- Solar feed in tariff
- Retail and wholesale energy charges



**+**  
**\$1.2**  
**billion**  
Network  
investment

**+**  
**\$5**  
**million**  
Information  
technology  
investment

## Investment highlights

### **WE WILL MAINTAIN OUR CURRENT AVERAGE LEVEL OF RELIABILITY.**

This means our customers experience a loss of supply for an average of 72 minutes per customer, per year.

We will invest \$1.2 billion on the network, up from \$950 million in the 2011-15 period. This is driven by an increase in the volume of asset replacement and investment to reduce the risk of bushfires from electricity distribution infrastructure.

We will increase our information technology investment by \$5 million to deliver our effortless customer experience program, to provide customers with better communication about network performance, improve customer service and engagement and empower customers through better access to energy consumption data.

We will reduce our investment to meet peak demand by \$30 million, through the pursuit of alternative technology solutions including battery storage and demand management initiatives.

**25%**   
of Victorians live in  
our network area.

# Have your say



## Phase 4: We are here

### Community comment

This document provides a concise summary of what we've learned and how we've factored it into planning our network to 2020 and beyond. Now we want to hear your views on our proposed direction and priorities for the next regulatory period (2016-2020).

**We welcome all submissions, comments and feedback.**  
**In order for us to be able to properly process your feedback,**  
**please respond by no later than 5pm AEST, 20 March 2015.**



**Email us**  
[yourenergy@ue.com.au](mailto:yourenergy@ue.com.au)



**Visit us online**  
[www.unitedenergy.  
engagementhq.com.au](http://www.unitedenergy.engagementhq.com.au)



**Post a letter**  
**EDPR Feedback**  
**PO Box 449**  
**Mount Waverley**  
**VIC 3149**

We distribute electricity  
to more than **650,000**  
customers across east and  
south-east Melbourne and  
the Mornington Peninsula.



To provide your feedback on our proposed direction  
and priorities for 2016 to 2020, visit us online at:

[www.unitedenergy.engagementhq.com.au](http://www.unitedenergy.engagementhq.com.au)

UNITED ENERGY  
CUSTOMER ENQUIRIES  
1300 131 689  
MONDAY TO FRIDAY  
(8AM-6PM)



131 450  
Language Assistance

*Creating  
The Intelligent  
Utility*



**UNITED ENERGY**