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15 August 2012

ASX RELEASE

PROPOSED REGULATORY CHANGES – S FACTOR APPEAL REVENUE

DUET Group notes the attached release by United Energy regarding media reports of proposed one-off changes to legislation to be introduced by the Victorian Government. The changes relate to the cut-over from state based regulation to the national framework under the Australian Energy Regulator (AER).

Based on the Government's estimates, the additional revenue awarded as a result of United Energy's regulatory appeal earlier this year in relation to the network performance incentive scheme ('S-factor'), will be around \$8.6 million per annum lower than originally determined over the 2013 – 2015 period.

The AER is currently considering United Energy's tariff proposal that will determine the allocation of the additional appeal revenue to calendar years 2013, 14 and 15. The AER is expected to publish its decision by November 2012.

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15 August 2012

Victorian Government's Proposed Regulatory Changes – S-factor Appeal Revenue

United Energy (UE) notes media reports in today's Herald Sun and Geelong Advertiser suggesting the Victorian Government intends to introduce one-off legislation to close what it refers to as a 'legal loophole' relating to the 2010 cutover of state-based price regulation to the national framework under the Australian Energy Regulator.

If this proposed legislation is introduced, UE and other Victorian electricity distributors will not receive some of the appeal revenue they expected to receive over the coming three years. In particular, the portion of revenue related to UE's S-factor appeal will no longer be included in the tariff calculation for the 2013-2015 period. The S-factor relates to incentive payments and penalties in connection with network performance.

UE has not yet had an opportunity to review any proposed legislation but notes via the media reports that the Government estimates the impact on UE's 640,000 electricity customers will be \$13.50 per residential customer in 2013.

UE supports the use of service incentive schemes and notes that, since privatisation, we have delivered significant benefits to Victorian customers including improved reliability of electricity supply.

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