# Draft decision

## AusNet Services electricity distribution determination

1 July 2026 – 30 June 2031

**Attachment 14 – Alternative control services**

**September 2025**

AUSTRALIAN ENERGY REGULATOR

Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: aerinquiry@aer.gov.au
Tel: 1300 585 165

AER reference: AER23008246

**Amendment record**

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# Contents

# 14 Alternative control services

This attachment sets out our draft decision on prices AusNet Services (AusNet) is allowed to charge customers for the provision of the following alternative control services: ancillary network services (ANS) and public lighting services. Our draft decision on metering services, which are also alternative control services, is set out separately in Attachment 15.

Alternative control services are customer specific, or customer requested services and so the full cost of the service is attributed to a particular customer, or group of customers, benefiting from the service.

We set service specific prices to provide a reasonable opportunity to the distributor to recover the efficient cost of each service from customers using that service. This is in contrast to standard control services where costs are spread across the general network customer base.

### Note on our draft decision price lists

Unlike previous distribution determinations for Victoria, we have not included our draft decision price lists for ANS and public lighting services in this document. Rather, our draft decision price lists are within the ANS model and public lighting pricing models, respectively, that we published with this draft decision.

- AER – Standardised ANS model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025
- AER – Public Lighting Model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025

In this attachment, we point to these models, including cell references, when discussing our draft decision price lists.

We have made this change to avoid transcription errors that can occur when replicating prices from the model in the document. We have been conscious to make the presentation of the price lists in the models easily accessible for stakeholders. We are open to receiving feedback from stakeholders on the presentation of these price lists and any future improvements.

## 14.1 Ancillary network services

ANS are non-routine services provided to individual customers as requested. Our Framework & Approach (F&A) paper outlines several types of services that meet this broad definition.[1]

ANS are charged to customers on a user-pays approach which are charged on either a fee or quotation basis, depending on the nature of the service.

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[1] See AER, *Final framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31, July 2024, p.8.* Our F&A paper outlines several types of services that can be considered as meeting this broad definition such as network ancillary services, basic connection services and non-routine metering services.

We determine price caps for fee-based services for the 2026–31 period as part of our determination, based on the cost inputs and the average time taken to perform each service. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty, such as disconnections and special meter reads.

By comparison, prices for quoted services are based on the quantities of labour and materials required, with the quantities dependent on a particular task. Prices for quoted services are determined at the time of a customer's enquiry and reflect the individual requirements of the customer's service request.

For this reason, it is not possible to list prices for quoted services in our decision. However, our draft decision sets the maximum labour rates to be applied to quoted services.

## 14.1.1 Draft decision

### 14.1.1.1 Fee-based and quoted services

Our draft decision does not accept AusNet's proposal as submitted. Based on our analysis and updated inputs, our draft decision is to:

- Accept AusNet's proposed fee-based and quoted services labour rates for all the labour categories as they are below our maximum efficient benchmark.
- Not accept AusNet's proposed method of applying tax to all its fee-based services. Rather, we have included a diminishing value tax method to its connection fee-based services.
- Not accept AusNet's proposed price for fee-based service 'wasted truck visit – customer not ready for works'.
- Accept AusNet's proposed margin of 4% applied on all fee-based services as it is below our benchmark margin allowance of 6% (for quoted services).
- Accept AusNet's proposed corporate and network overhead rates as they are below our benchmark of 61%.
- Substitute AusNet's proposed price cap and year one (2026–27) prices for fee-based services with our draft decision price caps and prices for 2026–27 (see section 14.1.4.2 and our draft decision ANS model).[2]
- Substitute AusNet's proposed X factors for years two to five with our draft decision X factors, based on labour price growth forecasts (see our draft decision ANS model).[3]

Our draft decision ANS prices for 2026–31 and X factors are set out in the Draft Decision ACS Fee based and quoted services model. Our draft decision ANS prices for the 2026–31 period are, on average, 1.9% higher than AusNet's proposed prices.

As set out in Attachment 12, our draft decision is to maintain our final F&A position to apply price caps to ANS as the form of control. Under a price cap form of control, we set a

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2 AER, *AER – Standardised ANS model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025*, Table 3 in excel tab – 'AER Draft Decision – Services'.

3 AER, *AER – Standardised ANS model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025*, Table 1 in excel tab – 'AER Draft Decision – Labour'.

schedule of price caps for fee-based services and maximum labour rates for quoted services for the first year of the regulatory control period, 2026–27. For each year thereafter, we adjust the price caps and maximum labour rates for inflation, the X factor[4], and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12.

As ANS have a high share of labour and labour-related inputs, we use labour price growth forecasts as the ANS X factor. Consistent with our previous decisions, we derived the X factor by averaging wage price index growth forecasts from Deloitte (provided by the AER) and BIS Oxford Economics (provided by the distributor).[5] Our draft decision X factors for ANS are set out in our draft decision ANS model.[6]

### 14.1.2 AusNet's proposal

For the 2026–31 period, AusNet adopted our standardised ANS model to develop its fee-based and quoted services.[7]

AusNet proposed sixteen labour categories (including business hours and after hours) to reflect the different types of labour it uses in providing ANS (see Table 14.1 and Table 14.2).[8] This is consistent with its 2021–26 current service offering except AusNet introduced a new labour category of Administrative Officer (business and after hours) in the 2026–31 regulatory period. We note AusNet proposed an average 22.5% labour rate increase across its labour categories compared to its approved 2025–26 rates.

AusNet also stated it recently undertook a competitive tendering process for a broad range of electricity distribution services and through this process, Zinfra was announced the new service delivery partner replacing Downer (previous delivery partner).[9] Due to competitive tendering and active management of outsourced contracts, AusNet considered that this ensured its proposed costs are efficient, and service quality is maintained.[10]

For its quoted services, AusNet included a 4% margin applied to the total of labour, contractor services and materials.[11] This is below the margin in our control formulae for quoted services as set out in the F&A paper.[12]

For its fee-based services, AusNet used a bottom-up approach to develop its prices for 2026–31. AusNet also proposed a margin of 4% applied to its fee-based services. It also

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4 Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next.

5 For more detail on the reasons for this decision, see the discussion in section 3.4.2 of Attachment 3 – Operating expenditure.

6 AER, *AER – Standardised ANS model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025*, Table 1 in excel Tab – 'AER Draft Decision – Labour'.

7 AusNet, response to Information Request *IR#013 – Standardised Ancillary Network model,* received 28 March 2025.

8 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – PUBLIC*, *Table 18-4: Current and proposed labour categories and labour rates, 2025-26 and 2026-27 (real, $Jun 2026)*, p. 379.

9 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – PUBLIC*, p. 105.

10 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – PUBLIC*, p. 373.

11 AusNet, response to information request *IR#013, Standardised ANS model*, received on 28 March 2025.

12 AER, *Final framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31,* July 2024, p. 14.

applied corporate tax of 30% on the margin and derived a tax rate of 1.2%.[13] It applied this tax rate on all its fee-based ANS and stated it is not material.[14]

In terms of price impacts for fee-based services, AusNet proposed an average price increase of 13.4% in the first year of the 2026–31 period compared to AusNet's current 2025–26 prices.

#### Stakeholder views

We did not receive any submissions in relation to AusNet's ANS proposals.

### 14.1.3 Assessment approach

The regulatory framework for assessing alternative control services is less prescriptive than for standard control services. That is, there is no requirement to apply the building block model exactly as prescribed in Part C of the National Electricity Rules (NER).

On this basis, our approach involves an assessment of the efficient costs of providing ANS. Labour costs are the major input in the cost build-up of prices for ANS. Therefore, our assessment largely focuses on comparing AusNet's proposed labour rates against maximum total labour rates, which we consider efficient.

Where AusNet's proposed labour rates exceed our maximum efficient labour rates, we apply our maximum efficient labour rates to determine prices. We follow this assessment process for services provided on a fee or quotation basis.

We also considered relevant stakeholder feedback raised throughout the consultation process and benchmarked AusNet's proposed ANS prices against its prices for the 2021–26 period and the prices of other distributors.

Where necessary, we seek further information from AusNet to reconcile particular cost drivers and often benchmark these against other distributors.

We also make further adjustments to AusNet's ANS prices where we consider it appropriate to do so.

### 14.1.4 Reasons for draft decision

As stated above, we do not accept aspects of AusNet's proposal, namely the tax rate calculation (discussed in section 14.1.4.3), although we consider AusNet's proposal is largely reasonable.

Section 14.1.4.1 discusses the maximum labour rates we consider are appropriate for determining whether AusNet's proposed labour rates are efficient.

Section 14.1.4.2 sets out how we assessed AusNet's proposed fee-based prices and, where appropriate, adjusted them to derive our draft decision prices for 2026–27. This includes

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13 AusNet, response to information request *IR#013, Standardised ANS model*, received on 28 March 2025.

14 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – PUBLIC*, p. 372

substituting our draft decision labour rates (among other draft decision factors), where necessary, following our considerations as set out in section 14.1.4.1.

#### 14.1.4.1 Labour Rates

For ANS we typically review the key inputs in determining the price for the service. We focus on labour rates as these are the principal input.

Consistent with the 2021–26 period, we continue to categorise AusNet's proposed labour rates into six different categories. This is on the basis that although distributors use different labour categories and descriptions, the types of labour used to deliver ANS broadly fall into the following categories: administration, technical specialists, field workers, engineers, and senior engineers. For Victoria, we also benchmark a sixth category: engineering manager.

This method is a continuation of Marsden Jacob's previous reports for the AER in relation to labour rates and ANS.[15]

In assessing the reasonableness of the proposed labour rates, we:

- derived salary ranges for our labour categories using Victorian salary data for various electricity distribution-related occupations from the most recent, publicly available, Hays Salary Guide (Hays)[16]
- derived the raw hourly rate using the maximum salaries in each of the categories, dividing by number of weeks in a year and hours in a week
- escalated for on-costs (leave, superannuation, workers compensation, payroll tax)
- escalated for overheads – we continue to use a maximum overhead rate of 61%, based on Marsden Jacob's analysis. We note the profit margin allocation is already included within the overall overhead allowance
- escalated for assumed inflation, labour rate escalators (reflecting the wage price index) and an allowance to account for salary stickiness in the Hays data
- added an hourly vehicle cost, where required.

In aggregate, these elements are referred to as the 'maximum reasonable benchmark rate,' which is expressed as an hourly rate.

Compared to our 2021–26 period decision for AusNet, we have made the following changes to the way we derive our maximum reasonable benchmark rate. These reflect updated information that has become available over time and ensure consistency with the changes we have made in previous determinations such as the NSW distribution businesses for the 2024–29 period. We explain some of these changes further below.

- Using a 38-hour week, rather than a 40-hour week, consistent with the latest Hays report.

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15 Recent reports include Marsden Jacob Report – *Review of Alternative control services for SA Power Networks, Energex and Ergon Energy,* June 2019*; Marsden Jacob Associates – Review of Victorian distributors Alternative Control Services*, June 2020.

16 Hays, *Hays Salary Guide FY25/26 Australia and New Zealand*, p. 41.

- Excluding the 'Transmission line engineer' and 'Generator technician' occupations from our analysis.
- Uplifting the Engineer rate by 20% to obtain the Senior engineer rate.
- Using Hays 2022–23 data (instead of the most recent 2025–26 data) as the starting point for technical specialists and field worker labour categories.
- Using real inflation (CPI) and X factors to convert labour rates and the vehicle allowance to $2026–27.

### Excluding occupations and the uplift for engineers

In considering labour rate benchmarks in the lead-up to our NSW distribution business decisions for the 2024–29 period, we benchmarked the distributors' proposed labour rates with the most recent (at the time) labour rates derived from the Hays 2022–23 data. We found that, under our methodology, engineers and senior engineers would have the same hourly rate.

We applied several changes in deriving the raw labour rates. Upon consultation with our internal technical experts, we removed the roles of 'Transmission line engineer' (categorised as engineer) and 'Generator technician' (technical specialist) from their respective benchmarks as they are not typically employed by distributors.

Further, we considered it was not appropriate to assign occupations to the senior engineer category because senior engineer salaries reflect time in role, not particular occupations. Instead, we applied a 20% uplift from engineer salaries as a reasonable premium for time in role.

We continue to apply the above approaches for the 2026–31 decisions.

### Changes to Hays Salary Guide

In July 2025, Hays released its 2025–26 salary data. Like the Hays 2023–24 and Hays 2024–25 guides, there were some significant changes in its reporting when compared to the Hays 2022–23 Guide, with the report no longer including wage data for the technical specialist and field worker roles. To derive our benchmarks for these labour categories, we instead use the latest data that we have, which is the Hays 2022–23 data as our starting point.

For the administration and engineer labour categories, we used the Hays 2025–26 data as the relevant rates are still available.

In addition, we note that the Hays 2025–26 data is based on a 38-hour week.[17] We have therefore derived our maximum reasonable benchmark rates using a 38-hour week as we consider the Hays data captures the conditions of the broad labour pool from which AusNet draws its labour.

### Determining labour rates in $2026–27

[17] Hays, *Hays Salary Guide FY25/26 Australia and New Zealand*, p. 41.

Finally, we applied real inflation as appropriate and X factors to convert the 2022–23 and 2025–26 labour rates (respectively, depending on which was applicable) to $2026–27. To convert $2022–23 nominal rates into $2026–27 nominal terms (where relevant), we used actual CPI consistent with the method applied during annual pricing proposals and consistent with our draft decision on control mechanisms.[18] To convert $2025–26 nominal rates into $2026–27 nominal terms, we applied forecast CPI from the Reserve Bank of Australia as a placeholder for this draft decision. We will apply actual CPI consistent with our control mechanism for our final decision.

We also used this approach to escalate the $20 per hour vehicle allowance from our previous decisions for inflation only (i.e. no X factor) to $25.17.[19]

To obtain the benchmark after hour rates (in Table 14.2), we continue to apply 1.75 times the business hourly rate (in Table 14.1), as recommended by Marsden Jacob.

Using this method, Table 14.1 includes our maximum benchmark hourly labour rate for the six labour benchmark categories and AusNet's proposed prices for business hours. Table 14.2 contains the same information for after hours.

**Table 14.1 AER maximum benchmark and AusNet proposed hourly labour rates for 2026–27 (business hours, including on-costs and overheads, $2026–27)**

| AusNet labour category | AER Benchmark category | AusNet proposed labour rate | AER maximum labour rate |
|---|---|---|---|
| Construction Overhead Install | Field Worker | $153.29 | $222.05 |
| Construction Underground Install | Field Worker | $149.71 | $222.05 |
| Construction Substation Install | Field Worker | $149.71 | $222.05 |
| Electrical Tester Including Vehicle & Equipment | Technical specialist | $220.79 | $236.86 |
| Planner Including Vehicle | Technical specialist | $205.81 | $236.86 |
| Supervisor Including Vehicle | Technical specialist | $205.81 | $236.86 |
| Administrative Officer | Admin | $87.60 | $120.34 |
| Design | Engineer | $175.69 | $253.35 |

[18] AER, *AER - Attachment 12 - Control mechanisms - Draft decision - AusNet Services distribution determination 2026-31* - September 2025.

[19] See for example AER, *Draft decision - Ausgrid distribution determination 2024-29 - Attachment 16 - Alternative control services*, September 2023, p. 10; Marsden Jacob Associates, *Review of Victorian distributors Alternative Control Services*, June 2020, p. 24.

| AusNet labour category | AER Benchmark category | AusNet proposed labour rate | AER maximum labour rate |
|---|---|---|---|
| Drafting | Technical specialist | $135.01 | $211.79 |
| Survey | Technical specialist | $159.03 | $211.79 |
| Tech Officer | Technical specialist | $159.03 | $211.79 |
| Line Inspector | Technical specialist | $153.29 | $211.79 |
| Contract Supervision | Technical specialist | $159.03 | $211.79 |
| Protection Engineer | Engineer | $175.69 | $253.35 |
| Maintenance Planner Including Vehicle | Technical Specialist | $205.00 | $236.86 |
| Senior Engineer | Senior Engineer | $253.26 | $304.02 |

**Table 14.2 AER maximum benchmark and AusNet proposed hourly labour rates for 2026–27 (after hours, including on-costs and overheads, $2026–27)**

| AusNet labour category | AER Benchmark category | AusNet proposed labour rate | AER maximum labour rate |
|---|---|---|---|
| Construction Overhead Install | Field Worker | $268.25 | $388.59 |
| Construction Underground Install | Field Worker | $262.00 | $388.59 |
| Construction Substation Install | Field Worker | $262.00 | $388.59 |
| Electrical Tester Including Vehicle & Equipment | Technical specialist | $280.17 | $414.50 |
| Administrative Officer | Admin | $153.29 | $210.60 |
| Design | Engineer | $307.46 | $443.36 |
| Drafting | Technical specialist | $236.27 | $370.63 |
| Survey | Technical specialist | $278.30 | $370.63 |
| Tech Officer | Technical specialist | $278.30 | $370.63 |
| Line Inspector | Technical specialist | $268.25 | $370.63 |
| Contract Supervision | Technical specialist | $278.30 | $370.63 |
| Protection Engineer | Engineer | $307.46 | $443.63 |
| Maintenance Planner Including Vehicle | Technical specialist | $278.30 | $414.50 |

| AusNet labour category | AER Benchmark category | AusNet proposed labour rate | AER maximum labour rate |
|---|---|---|---|
| Senior Engineer | Senior Engineer | $443.20 | $532.03 |

### Outcomes of our benchmarking

As a result of our benchmarking, we accept AusNet's proposed labour rates for all its labour categories as all the labour rates are below the AER maximum efficient benchmark.

Our draft decision ANS model sets out our draft decision on the labour rates AusNet can utilise in the provision of quoted services.[20]

## 14.1.4.2 Fee-based services

Our draft decision is to not accept AusNet's proposed prices for fee-based services. We adjusted the following inputs in the calculation of AusNet's prices for fee-based services:

- Updated the labour inputs to reflect the most recent inflation and labour escalators.
- Revised the tax rate, such that it is determined via the application of diminishing value method and only applied to capital intensive services, in this case only on connection fee-based ANS. This approach is explained in section 14.1.4.3. The change in the tax calculation method compared to what AusNet proposed has resulted in the tax rate moving from 1.2% (proposed by AusNet) to 4.5% for connection fee-based services, but the removal of tax from all other fee-based services.

These adjustments increased AusNet's proposed fee-based prices by an average of 1.7% (nominal) compared to its initial proposal.

In its initial proposal, AusNet provided its own version of a fee-based connections ANS model. In response to an information request, AusNet provided us with these prices in the AER's standardised ANS model.[21] In response to another information request, AusNet stated that it found some errors in the contract unit rates, which it corrected in an updated ANS model.[22] These adjustments decreased AusNet's proposed fee-based prices by an average of 0.8% compared to its initial proposal.

In addition to our labour rates analysis, we benchmarked AusNet's fee-based services by comparing its prices and assumptions for its most commonly requested services with other distributors' proposals, as well as comparing the proposed prices against those we approved for the 2021–26 period.

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20 AER, *AER – Standardised ANS model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025*, Table 2 in excel tab 'AER Draft Decision - Labour'.

21 AusNet, response to Information Request *IR#013 – Standardised Ancillary Network model*, received on 28 March 2025.

22 AusNet, response to Information Request *IR#032 – ANS and Public lighting*, received on 5 June 2025.

Our analysis shows that AusNet's proposed prices for all its fee-based services, taking into account the updates noted above, are, on average 13.4% (nominal) higher compared to its approved 2025–26 prices.

We observed larger increases in prices when we compared AusNet's proposed 2026–27 fee-based service prices with its current approved 2025–26 equivalents (which are based on the prices we set in our previous decision) for AusNet's basic connection services, wasted truck visit and security and watchmen lights.

AusNet explained the main cost drivers for these proposed increases are:[23]

- Increases in labour prices due to growth in demand for skilled electrical workers. It noted that it had conducted a tender process resulting in appointment of a new service provider but as a part of this process it saw significant increases in labour prices due to demand for skilled electrical workers growing faster than the market could supply.[24]
- Increased contractor costs due to not having access to lower rates based on contract exclusivity. AusNet stated that to manage high demand for labour and customer services during an energy transition, it no longer has one exclusive service provider for all alternative control services. Rather, it engages other qualified service providers to provide connection and network ancillary services. This has significantly increased AusNet's ability to secure labour to deliver services for its customers on time and to a high standard.
- Requirements for two crew members to undertake all connection related activities. This is due to the recent changes in the industrial relations negotiated safety requirements and has resulted in increases in costs of providing connection services.[25] Increased cost for connections involving a group metering panel or Current Transformer (CT) as a separate Licensed Electrical Inspector (LEI) continues to be required as per Victorian Service Installation rules and Victorian safety standards. [26]
  - AusNet stated it charges a fee when a LEI is needed to check, test and connect the electricity connection. The price for fee-based connection services that involve a group metering panel or CT such as "Underground New Connection, Single Phase" & "Underground New Connection, Multi Phase" are calculated using the contract unit rate of 'Appointment' which is separate from the cost of the actual connection service.
  - When installing CT metering, AusNet includes this appointment fee in the total cost.
  - For group metering sites, AusNet often sends one LEI to handle two connections at once. In this case, they split the appointment cost in half for each connection, since the LEI is doing both jobs in one visit.[27]

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23 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – Public*, p. 373.

24 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – Public*, p. 373.

25 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – Public*, p. 373.

26 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – Public*, p. 373.

27 AusNet, response to information request *IR#024, ANS and Public lighting*, received on 20 May 2025.

We discuss our draft decision for common basic connection services, wasted truck visit and security and watchmen light services below.

### Basic connection services

We accept AusNet's proposed prices for its common basic connection services, as they reflect the outcomes of a recent competitive tendering process and benchmark relatively well against other Victorian distributors and distributors in other jurisdictions.

Our analysis shows the proposed price increases for basic connection services are on average 11.3% higher compared to approved 2025–26 prices (nominal). We observe the main cost drivers for these proposed price increases are:

- increase in labour costs
- updated contractor rates due to the change in service provider
- meeting the requirement of 2 crew members to visit a site.

These factors are discussed in section 14.1.4.2 above in detail.

We show the price comparison of AusNet's temporary connection, single phase - underground service (business hours) and multiphase underground service charge (business hours) against other distributors in Tables 14.3, 14.4 and 14.5. These examples are representative of basic connection services more generally.

**Table 14.3 Price comparison of AusNet's proposed Temporary supply connection against other distributors (2026–27)**

| Distributor | Service | Price ($2026–27) |
|---|---|---|
| AusNet | Establish temporary supply connection - business hours | $739.23 |
| Jemena | Temporary connection, single-phase BH | $739.28 |
| Evoenergy | Temporary de-energisation – LV (Business Hours) | $988.71 |
| SA Power Networks | Temporary supply - Existing pit/pillar | $628.29 |
| Energex | Temporary de-energisation and re-energisation of supply to allow customer or contractor to work close - the supply will be disconnected - No Dismantling | $512.18 |
| TasNetworks | Temporary Disconnection/Reconnection | $595.35 |
| Power and Water Corporation (PWC) | Temporary disconnection and reconnection - no dismantling | $710.43 |

**Table 14.4 – Price comparison of AusNet's proposed Single phase underground service against other distributors (2026–27)**

| Distributor | Service | Price ($2026–27) |
|---|---|---|
| AusNet | Single-phase underground - business hours | $377.97 |
| CitiPower | Single phase - where CitiPower is the metering coordinator | $709.81 |
| Powercor | Single phase - where DNSP is the metering coordinator | $714.31 |
| United Energy | Single phase - where United Energy is the metering coordinator | $706.46 |

**Table 14.5 Price comparison of AusNet's proposed Multiphase underground service against other distributors (2026–27)**

| Distributor | Service | Price ($2026–27) |
|---|---|---|
| AusNet | Multi-phase underground with a CT connected meter - business hours | $1055.97 |
| Jemena | Basic connection, three-phase BH | $849.96 |
| CitiPower | Multi-phase CT - where CitiPower is the metering coordinator | $3547.88 |
| Powercor | Multi-phase CT - where DNSP is metering coordinator | $3463.78 |
| United Energy | Multi-phase CT - where United Energy is the metering coordinator | $2452.18 |
| SA Power Networks | Multiphase upgrade - O/under or O/head | $1787.77 |

We consider the prices for these services benchmark relatively well when compared to Victorian distributors as well as distributors from other jurisdictions. For the connection services – Single phase underground and Multi-phase underground, AusNet's proposed prices are one of the lowest compared to other distributors.

AusNet's proposed price for temporary supply connection is lower than Evoenergy and comparable to Jemena's proposed price but higher than other distributors.

For the draft decision we accept the proposed prices for the basic connection services as AusNet has provided sufficient reasoning of the cost drivers for the increase in prices.

We note that overall AusNet's proposed prices for the basic connection services benchmark well against other distributors.

### Wasted truck visit

We observe the proposed price increase for the connection service 'wasted truck visit – customer not ready for works' increased by 91.2% (nominal) in 2026–27 as compared to the approved 2025–26 price.

AusNet explained that this increase is due to the newly tendered contract unit rates, which reflect efficient market-tested costs of providing this service since the last determination. It also noted it does not use internal labour to provide truck services.[28] Further, that had it maintained its existing service provider the proposed rate for this service would have been significantly higher than its proposed rate.

Table 14.6 compares AusNet's proposed price against other distributors for the fee-based service 'Wasted Truck Visit – customer not ready for their requested works'. Our benchmarking indicates that AusNet's proposed price for this service is lower than Jemena but significantly higher than CPU, PWC and TasNetworks.

**Table 14.6 Price comparison of AusNet proposed 'Wasted Truck Visit – customer not ready for their requested works' (business hours) against other distributors ($2026–27)**

| Distributor | Service | Price ($2026–27) |
|---|---|---|
| Jemena | Wasted site attendance BH | $616.02 |
| AusNet | Wasted Truck Visit – customer not ready for their requested works | $494.36 |
| Citipower | Failed field visit (complex tasks) | $442.34 |
| Powercor | Failed field visit (complex tasks) | $451.09 |
| United Energy | Failed field visit (complex tasks) | $400.39 |
| PWC | Wasted visit fee | $344.87 |
| TasNetworks | Basic connection wasted visit | $318.70 |

We understand that AusNet has stated that this is due to the market tested contractor unit rates however, we do not consider AusNet has sufficiently demonstrated that the new proposed price represents value to its customers.

For the draft decision we have set prices based on AusNet's 2025–26 annual pricing model as a placeholder. In its revised proposal, we would like AusNet to provide further information

[28] AusNet, response to information request *IR#003 - ANS stakeholder feedback, FBS cost drivers and Public Lighting*, received on 24 February 2025.

to substantiate its higher price and why it is efficient. We would like to note that although Jemena's proposed price for this service is highest as compared to other distributors, we are accepting this price as the increase from its 2025–26 price is 7% and is based on previously approved prices.

### Security and watchman lights

We observe the price for security and watchmen lights increased by 85.3% (nominal) in 2026–27 as compared to 2025–26 approved prices.

AusNet stated that it manages security and watchmen lights using Mercury Vapour-80 (MV) lights and that the globes of MV-80 lights have to be fitted with a 'corn cob' LED globe.[29] These LED 'corn cob' globes are significantly more costly than MV globes (i.e. $75 as compared to $6). Due to this, the overall cost of security and watchmen lights has significantly increased.

AusNet stated it applies the same price as MV-80 lights to security and watchmen lights treating it as 'other contract cost' in the ANS model. This is consistent with its previous regulatory submission for security and watchmen lights.[30]

AusNet also stated that security and watchmen lights are a subset of its much larger lighting asset fleet and hence, the most logical arrangement is to apply the same asset management[31] practice and prices to these lights.

Table 14.7 compares AusNet's proposed price against other distributors for security lights. AusNet's proposed price for security lighting benchmarks well against other distributors' proposed price.

**Table 14.7 Price comparison of AusNet proposed security and watchmen lights against other distributors ($2026–27)**

| Distributor | Service | Price ($2026–27) |
|---|---|---|
| Jemena | Security Lighting - O&M | $177.44 |
| AusNet | Security and watchmen lights | $136.74 |
| SAPN | Security Lighting - HID <=400W | $221.83 |
| Ausgrid | Large light – monthly charge - security lighting | $160.98 |

29 AusNet, response to information request *IR#032 – ANS and Public Lighting*, received on 5 June 2025.

30 AER, *AER - Final decision - AusNet Services distribution determination - 2021–26 - ACS - Ancillary network services model - April 2021*, excel tab – Security lighting.

31 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 100.

For the draft decision we accept AusNet's proposed price for this service, including as it benchmarks well and is the lowest compared to other distributors.

#### 14.1.4.3 Tax allowance

In the final F&A paper for Victoria, the AER accepted the inclusion of a tax component in the price cap formulae for quoted services.[32]

In their 2026–31 regulatory proposals, all Victorian distributors also proposed a tax component be applied to their fee-based services.

AusNet applied a margin method to calculate the tax cost component and applied it to all its fee-based services. Specifically, AusNet proposed a margin of 4% and a corporate tax rate of 30%. It then applied this tax rate to the margin, deriving a tax component of 1.2% applied to all fee-based services. In its initial proposal it did not provide a substantive argument for this approach, more that it was not a material cost.[33] In its response to an information request AusNet stated that it applied the same principles used in application of tax to quoted services when also proposing it for fee-based services. It also stated that these services are no less subject to market competition.[34]

In contrast, Jemena, CitiPower, Powercor and United Energy (CPU) applied a diminishing value method to calculate the tax rate. They also applied the tax only to capital intensive services, in particular, basic connection fee-based ANS.

A tax cost component has previously been proposed for inclusion in ANS by other distributors, specifically Essential Energy, Evoenergy and PWC. In our decisions for these distributors, we did not accept its inclusion as supporting calculations and detail was not provided to demonstrate the derivation of the tax rates in their models.

For this draft decision we accept that the inclusion of a tax cost component is reasonable for fee-based services which are capital intensive in nature, and specifically in these decisions for basic connection fee-based services. Given the nature of connection assets, and that distributors capitalise these costs for tax and accounting purposes and incur a tax liability for the service on the revenue less depreciation over time, we consider it appropriate to include these as efficient costs.

We will apply the diminishing value method to calculate the tax component for AusNet's basic connection fee-based services.[35] We will use the same method for Jemena and CPU, which ensures consistency across the Victorian distributors. This method is also used to calculate tax for standard control services. We consider this method is more cost reflective, as the tax is applied only to services that are capital in nature, which attract tax implications for AusNet.

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32 AER – Preliminary Position Paper – Victoria Framework and Approach Papers for 2026-31 - April 2024, p. 11.

33 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – PUBLIC*, p. 372.

34 AusNet, response to Information Request *IR#024 – ANS and public lighting*, received on 20 May 2025.

35 AER, *AER – Standardised ANS model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025,* Tab – Calc|Tax.

For AusNet this means that we have not used its proposed margin method, but rather applied the diminishing value method. This calculation includes the nominal vanilla weighted average cost of capital (WACC), as also discussed in section 2.2 of the Overview. By applying this method, the tax rate for AusNet increased from its proposed 1.2% to 4.5%. However, this tax rate is applied only to the connection fee-based services listed in AusNet's regulatory proposal[36] as opposed to all fee-based services as proposed by AusNet.

The change in the tax rate results in a price increase of 3.3% for connection fee-based services as compared to AusNet's initial proposal (first year price increases). However, it also results in a price decrease of 1.2% for the other fee-based services as compared to Ausnet's initial proposal (first year price increases). This is because the tax component is not applied to these services.

## 14.2 Public lighting

Public lighting services include the provision, construction and maintenance of public lighting assets. This definition includes new technologies such as energy-efficient light emitting diode (LED) luminaires and emerging public lighting technologies such as smart-enabled luminaires.[37]

The main customers of public lighting services are local government councils and jurisdictional main roads departments.

There are a number of different tariff classes and prices for public lighting services. Factors influencing prices for a particular installation include which party is responsible for capital provision, and which party is responsible for maintaining and/or replacing installations.

### 14.2.1 Draft decision

Our draft decision is to not accept AusNet's initial public lighting proposal although we consider it is largely reasonable.

We updated the following inputs in AusNet's proposed public lighting model:[38]

- Photo electric (PE) cell replacement cycle for five light types (see section 14.2.4.3).
- Lamp replacement cycle for Mercury Vapour (MV) lights (see section 14.2.4.3).
- Labour rates adjusted to incorporate our draft decisions on inflation and labour escalators (see section 14.2.4.4).
- Hourly patrol vehicle rate adjusted (see section 14.2.4.5).

We also updated AusNet's proposal to account for several mechanical changes, including to apply our draft decision on the weighted average cost of capital (WACC), consumer price index (CPI) and labour escalators (see section 14.2.4.6). We also updated the 2025–26

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36 AusNet, *ASD – AusNet – EDPR 2026 – 2031 Regulatory Proposal – 31 Jan 2025 – Public, Table 18-1: Current and proposed connection services and fees, 2025-26 and 2026-27 (real, $Jun 2026*), pp. 374-375.

37 AER, *Final framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31, July 2024,* p. 36.

38 AER, *AER – Public Lighting Model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025.*

prices (that prices in the next period are escalated from) to include those we approved following AusNet submitting its initial proposal. We entered these substitute inputs into the public lighting models, resulting in minor adjustments to AusNet's public lighting prices.

As set out in Attachment 12, our draft decision is to maintain our final F&A position to apply price caps to public lighting as the form of control. Under a price cap form of control, we set a schedule of price caps for public lighting services for the first year of the regulatory control period, 2026–27, which we summarised above. For each year thereafter, we adjust the price caps for inflation, the X factor,[39] and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12.

Our draft decision public lighting prices for 2026–31, including the X factors, are set out in the Draft Decision Public Lighting model.[40] The X factors are used to adjust prices annually for years 2 to 5 of the 2026–31 period. The prices for 2026–27 are on average 2.2% lower in Central region and 2.1% lower in North and East region as compared to AusNet's proposed prices.

We also encourage AusNet to consult further with its stakeholders to inform its revised proposal on matters such as an accelerated LED rollout, smart lighting services and funding options for this rollout (see section 14.2.4.7).

### 14.2.2 AusNet's proposal

For the 2026–31 period, AusNet proposed:[41]

- To continue deploying more energy-efficient lights across its network resulting in approximately 98% of minor road lights and 75% of major road lights having LEDs by 2031.
- To replace failed High-Pressure Sodium (HPS) lanterns with equivalent LED lights.
- To replace T5 and Compact Fluorescent (CFL) lights that fail, or at 4 years in service run out of globes and lanterns stock.
- To replace MV globes with more expensive 'corn cob' LED globes that can be fitted in the lantern.[42]
- To continue to engage with the councils on costs of offering the smart lighting service.[43]
- Nominal price increases in the range of 11.4% to 13.0% across both the North and East and Central regions for inefficient lights in the first year of the regulatory control period, compared to 2025–26.

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39 Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next.

40 AER, *AER – Public Lighting Model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025,* excel tab 'AER Draft Decision'.

41 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 - PUBLIC*, pp. 363-364.

42 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 365.

43 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 366.

- Nominal price increases in the range of 7.8% to 9.8% across both the North and East and Central regions for LED lights in the first year of the regulatory period, compared to 2025–26.

AusNet stated that the per public light fee for inefficient lights is increasing due to:[44]

- The inefficient lighting regulatory asset base (RAB) being shared amongst a diminishing number of lights by the end of the 2026–31 period.
- The residual MV lights being replaced with a more expensive 'corn cob' LED globe that fits in the MV lantern. This higher charge only affects councils and shires with MV lights and not those councils and shires that have already replaced their MV lights with LEDs.

AusNet also stated that LED lighting fees are expected to increase in the 2026–31 period due to updated unit rates and proposed increases in capital expenditure for energy efficient lights as it continues replacing the inefficient and obsolete lights with LEDs.[45]

AusNet noted that it received very limited feedback and no opposition from the stakeholders to its proposed plans and prices.[46]

### 14.2.3 Assessment approach

To determine efficient prices for AusNet's public lighting services we assessed its public lighting models, considered historical data and benchmarked proposed costs and prices against other distributors, and against independent data and information as relevant. Specifically, we assessed proposed labour price rates, luminaire prices, other input assumptions and stakeholder submissions to derive public lighting prices for this draft decision.

We also engaged AusNet through information requests to clarify and potentially resolve outstanding issues.

We updated model parameters where appropriate after taking the factors described above into consideration.

### 14.2.4 Reasons for draft decision

#### 14.2.4.1 Overall assessment

Overall, we consider AusNet's public lighting proposal and proposed prices are generally reasonable.

We amended AusNet's proposed public lighting prices to be consistent with other aspects of our draft decision, namely on WACC, CPI and the labour escalators, and to make relatively minor amendments to several inputs as we discuss in sections 14.2.4.3 to 14.2.4.6. These include our draft decision position to update the PE cell replacement cycle for LED lights to 10 years as a placeholder, subject to further consideration by AusNet, including in light of the Essential Service Commission Victoria's (ESCV's) recently released consultation paper on

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44 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 365.

45 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 365.

46 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 365.

the Public Lighting Code of Practice Review.[47] We have also updated the lamp replacement cycle for MV lights to 5 years to align with the replacement cycle of PE cells.

Making the above adjustments decreased AusNet's proposed LED light prices to 8.3% and 6.1% in 2026–27 (as compared to 9.8% and 7.8% initially proposed prices) across Central and North and East region respectively. They also decreased AusNet's proposed inefficient light prices to 9.8% and 8.1% in 2026–27 (as compared to 13.0% and 11.4% initially proposed prices) across Central and North and East region respectively.

AusNet's proposed prices also benchmark reasonably well against the other Victorian distribution network service providers (DNSPs) and other comparable DNSPs.[48] We consider this indicates AusNet's modelling, including inputs and assumptions, and the proposed prices are generally reasonable.

As a part of this decision, we consider AusNet's proposed capex for its LED lights is reasonable despite the proposed increase. AusNet stated that one of the key drivers behind its proposed LED price increases is the increased capex to replace its legacy lights reaching their end of life with LEDs lights, coupled with increasing unit rates for its service providers. AusNet proposed to increase the proportion of its LED lights to 90% by the end of 2031.[49] We consider AusNet's proposal to increase LED capex is reasonable as the competitive tendering process undertaken by AusNet for its service providers resulted in increasing unit rates which are market tested.[50]

As set out in section 14.2.4.7 there are several other issues which we encourage AusNet to further consult on with its stakeholders to inform its revised proposal. These include:

- the accelerated rollout of LEDs in the 2026–31 period
- introducing smart lighting services
- separating the council funded and DNSP funded RABs

Further, we encourage AusNet to consider the proposed positions taken in the ESCV's consultation paper on the Public Lighting Code.

We expect it will incorporate the outcomes of this consultation, and further considerations, including reasons for the proposed positions, in its revised public lighting proposal.

#### 14.2.4.2 AusNet's stakeholder consultation

We consider AusNet's stakeholder engagement in relation to public lighting has been largely reasonable. We also note that AusNet has stated it will continue to engage with stakeholders to further refine its position for the revised proposal.[51]

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47 Essential Services Commission Victoria, *Public Lighting Code of Practice Review, Consultation Paper*, 20 August 2025.

48 AER analysis.

49 AusNet, *ASD – AusNet EDPR 2026-31 - ACS - Public Lighting Model – 310125 – PUBLIC*, excel tab – DNSP Inputs General

50 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 369

51 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 363

In its initial proposal AusNet set out its engagement with its public lighting customers (councils and Vic Roads) and noted this included a forum in August 2024, direct meetings with councils and another forum in October 2024.[52] At the August 2024 forum, AusNet noted it discussed its draft expenditure plans and prices, including discussion of inefficient lights and the approach to replace them with LED replacement globes. AusNet stated it received very limited feedback on its proposal and no opposition to its proposed plans and prices. It also noted it did not get any requests to replace inefficient lights faster than its proposal.

In relation to smart lighting services, AusNet noted in its initial proposal it had started engagement with the councils and shires who were interested in this service (this included at the forum in October 2024). Further that it would continue to engage with stakeholders throughout 2025 with the possibility of incorporating this service into its revised proposal if there is sufficient support.[53] Consistent with this, in response to an information request, AusNet stated that it had set up a trial with Manningham Council and a vendor for over 200 smart lights. The trial aims to explore customer benefits and identify necessary process changes to offer smart lighting more widely. It also noted that further engagement on smart lighting would take place in October 2025 as AusNet prepares its revised proposal.[54]

As we discuss in section 14.2.4.7, following a submission from the Victorian Greenhouse Alliances (VGA) to our issues paper on the 2026–31 proposals[55], we consider there are some aspects of AusNet's proposal that require further consultation with its stakeholders. These include considering an accelerated LED rollout by the end of the 2026-31 period, introducing smart lighting services and separating council funded RAB and DNSP funded RAB.

In its revised proposal, we encourage AusNet to describe the outcomes of these consultations, such as areas that public lighting customers supported and areas of concern. Importantly, we encourage AusNet to describe how it incorporated such feedback into its revised proposal for public lighting. Similarly, AusNet should provide reasons where it does not incorporate requests from public lighting customers into its revised proposal and the reasons why this is the case.

#### 14.2.4.3 PE cell and MV light replacement

In the draft decision we amended AusNet's replacement period for PE cells for MV 80, T5 (2X14W and 2X24W), LED 18W and LED 14W lights to 10 years.[56] This is consistent with AusNet's PE cell replacement period for high pressure sodium and L1, L2 and L4 lights. We also note that CitiPower, Powercor and United Energy proposed a 10-year PE replacement cycle to reflect the effective life for high-pressure sodium and LED lights.

The VGA recommended AusNet's (and Jemena's) PE cell replacement period should be changed from 8 years to 10 years. The VGA stated it makes sense to change the

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52 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 370

53 AusNet, *ASD - AusNet - EDPR 2026 - 2031 Regulatory Proposal -31 Jan 2025 – PUBLIC*, p. 366

54 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

55 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025.*

56 AER, *AER – Public Lighting Model - PUBLIC - Draft Decision - AusNet Services distribution determination 2026-31 - September 2025*, excel tab – DNSP Inputs O&M.

replacement period to 10 years with the advent of smart cells (that replace PE cells and have a life of 10 years) and LEDs (replacement period of 20 years).[57]

In response to an information request, AusNet stated that as per the Public Lighting Code[58], the minimum requirement of replacing PE cells is 8 years which it has followed and is consistent with the current compliance obligations.[59]

We note advice from our internal technical experts that PE cells generally have an effective life of circa 15 years. Furthermore, our internal technical experts consider it may be more cost efficient to run a reactive replacement program for non-traffic route lighting (i.e. replacing PE cells on failure) rather than proactively replacing PE cells every 8 years to 10 years, as currently proposed by AusNet. While there is a safety concern regarding the need to maintain sufficient lighting for traffic routes (major roads), it is not clear the same requirement is necessary for non-traffic roads. Additionally, with the introduction of smart lighting technology in the 2026–31 period, we consider the reactive approach may be more cost effective as both AusNet and the councils would remotely receive real time data that the PE cell has failed.

We also note the ESCV is currently reviewing the Public Lighting Code. The ESCV has proposed to remove this standard and require distributors to replace the PE cells in accordance with 'industry best practise' or as otherwise required by the public lighting standards. This is set out in its consultation paper released in August 2025, with a final decision in November 2025 and changes to take place on 1 January 2026.[60]

We do not consider AusNet's proposed PE cell replacement cycle of 8 years is reasonable. While AusNet proposed the minimum standard as set out in the Public Lighting Code, the ESCV has proposed this standard no longer applies. The ESCV proposed DNSPs should apply 'industry best practice' or as otherwise required by the public lighting standards.

For our draft decision, we have adjusted AusNet's PE cell replacement cycle to 10 years. We note this is a placeholder, including as we will seek to take into account any updates the ESCV makes to the Public Lighting Code later in the year. We also encourage AusNet to consider the possibility of adopting a reactive replacement program for non-traffic route lighting (supported by financial analysis and modelling).

In its submission, the VGA also recommended confirming the lamp replacement period for MV lights. The VGA stated manufacturer recommendations are to replace lamps every 5 years, which would align with PE cell replacement cycle of 10 years and luminaire useful life of 20 years.[61]

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57 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, p. 13.

58 Public Lighting Code (version 2) December 2015 (final version) - 20151210, p. 2

59 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

60 Essential Services Commission Victoria, *Public Lighting Code of Practice Review, Consultation Paper*, 20 August 2025, p. 8.

61 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, p. 14.

For our draft decision we adjusted AusNet's lamp replacement cycle for MV lights to 5 years. We note that this is a placeholder, including as in its consultation paper the ESCV has proposed to remove reference to the 4 year lamp replacement and that DNSP apply 'industry best practice' or as otherwise required by the public lighting standards.[62] We will seek to take into account any updates the ESCV makes to the Public Lighting Code later in the year.

#### 14.2.4.4 Labour rates

In the draft decision we have used the labour rate proposed by AusNet in its public lighting model of $111.36 per hour. This is because it is below our benchmark labour rate for a field worker of $153.29 (see section 14.1.4.1). AusNet's labour rate for public lighting is the lowest compared to Victorian distributors. As a result, we have made no adjustment to the labour rate in AusNet's public lighting model except substituting with our draft decision labour escalators and updating for inflation.

Consistent with other distribution determinations, we consider our field worker benchmark labour rate is the appropriate benchmark for assessing AusNet's public lighting labour rate.[63] However, we exclude the vehicle component when benchmarking the two rates as the nature of vehicles differ between ANS and public lighting services.

AusNet stated its public lighting labour rate is based on the labour proportion of its contract rates for public lighting works from its delivery partner Zinfra and these contract unit rates are used as the basis for the labour rates in its public lighting model.[64]

#### 14.2.4.5 Hourly rates for elevated platform vehicles and patrol vehicles

In the draft decision we maintain AusNet's proposed rate for urban and rural elevated platform vehicles (EPVs) but lowered the rate for patrol vehicles following the VGA's submission and our review.

In its submission, the VGA pointed out that some inputs in the Victorian DNSPs' public lighting models were unusually varied, particularly rates for EVPs and patrol vehicles. [65] We have updated the VGA's analysis to show these rates for 2026–27, the first year of the 2026–31 period, in Table 14.8.

**Table 14.8 AER comparison of public lighting inputs**

| | Jemena | AusNet | CitiPower | Powercor | United Energy |
|---|---|---|---|---|---|
| Elevated platform vehicle (per hr) – urban MV, urban T5 | $36.71 | $50.18 | $55.45 | $62.25 | $61.45 |

62 Essential Services Commission Victoria, *Public Lighting Code of Practice Review, Consultation Paper*, 20 August 2025, p. 8.

63 AER, *AER – Draft Decision Attachment 16 – Alternative control services – Endeavour Energy – 2024-29 Distribution revenue proposal – September 2023*, p. 19 and *AER – Draft Decision Attachment 16 – Alternative control services – Ausgrid – 2024-29 Distribution revenue proposal – September 2023*, p. 19

64 AusNet, response to information request *IR#024 – Public Lighting*, received on 20 May 2025.

65 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025.*

| | Jemena | AusNet | CitiPower | Powercor | United Energy |
|---|---|---|---|---|---|
| Elevated platform vehicle (per hr) – rural MV, rural T5, S-HP | $36.71 | $63.64 | $78.60 | $78.60 | $55.20 |
| Patrol vehicle (per hour) | $6.54 | $34.37 | $34.99 | $42.64 | $15.20 |

In the draft decision we maintain AusNet's proposed rate for urban and rural EPVs as they are in the median range as compared to other Victorian distributors.

The patrol vehicle (per hour) rate for AusNet has proposed is comparable to CitiPower and lower than Powercor but higher than Jemena and United Energy. In our draft decision for CitiPower, Powercor and United Energy we determined that United Energy's patrol vehicle rate was efficient and used it for CitiPower and Powercor.[66] Given this, we have also used it in our draft decision for AusNet as a placeholder. If AusNet does not consider this placeholder is appropriate, it should provide in its revised proposal further information and justification as to the basis for its proposed costs.

#### 14.2.4.6 Updates for more mechanical issues

We have amended the following inputs into AusNet's public lighting model. These amendments are consistent with our draft decision on other relevant aspects of AusNet's proposal.

##### Rate of return

We substituted the rate of return inputs in AusNet's public lighting models to be consistent with our draft decision on AusNet's rate of return (see section 2.2 of the Overview).

##### Inflation

We have substituted the forecast inflation input for the 2026–27 year in AusNet's public lighting model with placeholder values in this draft decision. We will update this for actual inflation in our final decision consistent with our final decision on AusNet's control mechanisms.

##### Labour escalators

We substituted the labour escalators in AusNet's public lighting model to be consistent with our draft decision on AusNet opex (see Attachment 3).

##### Public lighting prices in 2025–26

We amended the public lighting prices for 2025–26 in AusNet's public lighting model[67] to match the public lighting prices to its approved pricing proposal for the 2025–26 regulatory year.[68] The model prices did not match the approved public lighting prices for 2025–26 as

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66 AER, *AER - Attachment 14 - Alternative control services - Draft decision - CitiPower distribution determination 2026-31 - September 2025*

67 AusNet, *ASD AusNet EDPR 2026-31 - ACS - Public Lighting Model 030625 - PUBLIC*, excel tab – 'DNSP Inputs General' – cells E45:E57, E62:E70, E85:E97, E102:E110.

68 AusNet, *AusNet Services (ED) 2025-26 - Final - ACS pricing model - 31 March 2025 – PUBLIC*, excel tab – 'Public Lighting' – cells H7:H57.

AusNet finalised its public lighting models in its initial proposal prior to preparing its 2025–26 pricing proposal (which we approved).[69]

When we tested these amendments, AusNet agreed with them.[70] As AusNet's approved prices are slightly higher than those used in the public lighting models, our amendments resulted in very minor changes to AusNet's public lighting prices (all else being equal).[71]

#### 14.2.4.7 Issues for further consultation

In light of feedback from stakeholders, including the submission from the VGA, we consider AusNet should consult further on the matters set out below to inform its revised proposal. As noted in section 14.2.4.2, we encourage AusNet to describe in its revised proposal the outcomes of this consultation. Importantly, AusNet should describe how it has incorporated feedback into its revised proposal and where it has not, the reasons why.

##### Accelerated LED rollout

We encourage AusNet to consult further with stakeholders on replacing all streetlights with LEDs by the end of the 2026–31 period (accelerated LED rollout). As noted above, we acknowledge AusNet had consulted on the transition to LEDs prior to its initial proposal, but that it did not get feedback to support a full conversion in the next period.

In its submission, the VGA recommended the Victorian DNSPs, including AusNet, complete an accelerated LED rollout by the end of the 2026–31 period. Further, the VGA recommended AusNet integrate local government perspectives into project and design decisions so the LED replacement program could be delivered to enhance community safety and lower environmental impact.[72]

In response to an information request, AusNet stated that it will further consider an accelerated replacement schedule to replace all streetlights with LEDs by the end of 2026–31 period. AusNet also noted this would increase fees paid by councils, but it will also have environmental and consumption benefits. AusNet stated it will assess the financial impact and deliverability of full consolidation to an LED only public lighting population, and engage with councils and conduct stakeholder meetings prior to the submission of its revised proposal.[73]

##### Smart lighting rollout

We encourage AusNet to consult further with stakeholders on introducing smart lighting in the 2026–31 period, particularly for all major roads, in the lead up to its revised proposal.

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69 AusNet, response to information request *IR#032 – ANS and Public Lighting*, received on 5 June 2025.

70 AusNet, response to information request *IR#032 – ANS and Public Lighting*, received on 5 June 2025.

71 Prices for 2026–27 increased slightly (in the range of 1.8% to 1.9% across Central and North and East regions).

72 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, pp. 9–10.

73 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

This should also consider any operational efficiencies that may be achieved in the 2026-31 period.

In its submission, the VGA requested that DNSPs, including AusNet, in concert with the accelerated LED rollout, fund the installation of smart lighting for all major roads and for additional lighting assets nominated by individual local governments. Further, that the requirement for road patrols be removed after smart lighting has been installed. It considered this would improve the level of lighting safety, and the need for visual inspections would no longer be required leading to savings for customers.[74]

As outlined above, AusNet noted in its initial proposal that it had started engagement with the councils and shires around smart lighting services and that they were interested in this service. AusNet also noted that further engagement on smart lighting would take place in October 2025 as it prepares its revised proposal.[75]

### Separate prices for customer-funded and DNSP funded assets

We also encourage AusNet to consult with stakeholders on separate pricing for customers who fund their own lighting upgrades to LED and for customers whose upgrades are AusNet-funded.

In its submission, the VGA noted that in most jurisdictions, DNSPs provide a lower tariff when customers fund the capital component of public lighting upgrades. The VGA noted in its initial proposal that Jemena proposed to use this approach by establishing a RAB for customer funded capital upgrades, with corresponding maintenance prices being much lower for the relevant councils. The VGA recommended that all Victorian DNSPs replicate Jemena's approach to ensure councils who have fully funded their public lighting assets are not subsidising DNSP-funded roll outs.[76]

In response to creating a separate RAB for council funded and DNSP funded LED lights, AusNet stated it had not previously considered this approach. However, AusNet added it will engage and consult with councils and stakeholders and discuss further the implementation of a separate RAB prior to submitting its revised proposal.[77]

AusNet also stated it did not receive VGA's feedback during consultation in 2024 prior to submitting its proposal in January 2025. AusNet stated, as outlined above, its consultation in 2024 focussed on its replacement plans for inefficient and obsolete lights and smart lighting.[78]

### Proposed 'corn cob' LED globes for MV lights

We encourage AusNet to consult with stakeholders on whether it needs to create a new tariff for LED corncob lights, particularly if it considers its proposed MV tariff will signal the costs

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74 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, p. 90.

75 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

76 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, p. 10.

77 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

78 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

for LED corn cobs. This consultation should include discussion on the replacement periods of such lights among other relevant factors such as unit costs and customer impact.

In its submission, VGA recommended:[79]

- creating a new dedicated tariff for "LED Corncob" so that customers understand what is installed and the related cost variations and then transitioning numbers across the forecast period.
- confirming the lamp replacement period for MV lights. VGA stated manufacturer recommendations are to replace lamps every 5 years, which would align with AusNet's proposed PE cell replacement cycle of 10 years and luminaire useful life of 20 years.

In response to an information request, AusNet stated that it does not consider it a necessity to create a new tariff as its proposed MV tariff will represent only LED corn cob globes once all MVs are replaced in the upcoming period. Additionally, AusNet stated that the inputs for MV tariff in its public lighting model are intended to reflect costs drivers associated with LED corn-cobs including:[80]

- Corn-cob unit rates – AusNet stated that it will not have available replacement globes for MVs other than LED corn-cob replacement globe. All MV lights will have corncob globes, unless they are replaced and converted to LED lights (lanterns).
- Globes on MV lights must be replaced every 4 years under the Victorian Public Lighting Code.
- AusNet considered it appropriate for these customers to continue to pay off the inefficient/ existing lighting RAB until the lantern is replaced with an efficient LED lantern.

Given this we encourage AusNet to clarify with its stakeholders the intention of its proposed MV tariff and seek views as to whether this will signal the costs for LED corn cobs.

On MV lamp replacement cycles, AusNet stated that as per the Public Lighting code, the minimum requirement of replacing the lamps is 4 years which it has followed and is consistent with the current compliance obligations.[81] We have set out our draft decision position on this in section 14.2.4.3.

### Proposed increases in LED 18W lights

We encourage AusNet to consult with stakeholders on the categorisation of its LED lights, and the growth of these categories, to inform its revised proposal.

In its public lighting model, AusNet forecast significant increases in LED 18W lights over the 2026–31 period as compared to LED 14W lights.[82]

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79 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, p. 13.

80 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

81 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

82 AusNet, *ASD – AusNet EDPR 2026-31 – ACS – Public Lighting Model – 310125 – PUBLIC, excel tab 'DNSP Inputs General'*.

In its submission, VGA stated that LED 18W lights are no longer widely installed and have been replaced by the LED 14W alternative. It recommended that AusNet increase the volume of 14W lights instead of 18W lights.[83]

In response to an information request, AusNet stated that it installs a broad range of minor LED lights from 13-33W on its network. AusNet also stated that it classifies standard LEDs as 18W and non-standard LED less than 18W as 14W. Hence, while a standard LED light may be lower than 18W, it is still classified in AusNet's system as 18W.[84]

AusNet suggested it can amend its forecast to represent LED 14W instead of LED 18W growth in the upcoming period. AusNet also stated it has not conducted a detailed analysis to determine the types of most commonly used or installed LED lights and was not aware that this is a driver of adverse outcomes for councils.[85]

AusNet also noted it will undertake stakeholder consultation and detailed analysis on the LED lights that are widely installed in its network and incorporate customer feedback in its revised proposal.

#### 14.2.4.8 Other issues to consider

In its initial proposal AusNet included $212.4 million in capital expenditure for the replacement and reinforcement of distribution poles and that was classified as standard control service replacement expenditure (repex).[86] Out of the total proposed repex for poles, $8.5 million was for distribution poles – streetlights that were considered as standard control service repex.[87]

Energy Market Consulting Associates (EMCa) independently reviewed the repex costs proposed by AusNet for replacing its poles. In its report for the AER, EMCa considered that provision and maintenance of public lighting services includes poles dedicated to the provision of streetlighting is more typically treated as alternative control services. EMCa stated that the repex for these poles should not be included in the standard control service forecast.[88] As a result, our draft decision for standard control services capital expenditure does not include this proposed expenditure (see Attachment 2).

We note that if AusNet intends to include this expenditure in its revised proposal for public lighting, it should clearly substantiate the rationale for doing so. Specifically, why this repex should be incorporated into the public lighting model and prices and what a change it is from its initial public lighting proposal. Additionally, we expect AusNet to undertake stakeholder consultation should this change be proposed.

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83 VGA, *Victorian Greenhouse Alliances - Submission - Victorian electricity distribution proposals 2026-31 - May 2025*, p. 13.

84 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

85 AusNet, response to information request *IR#043 – Public Lighting*, received on 26 June 2025.

86 AusNet, *ASD - AusNet EDPR 2026-31 – SCS Capex Model – 310125 – PUBLIC*, excel tab – Calc| Project Costs, cells X28:AB34.

87 AusNet, *ASD - AusNet EDPR 2026-31 – SCS Capex Model – 310125 – PUBLIC*, excel tab – Calc| Project Costs, cells X33:AB33.

88 EMCa, *Report to AER on AusNet Network related expenditures and CER*, August 2025

#### 14.2.4.9 Introducing new services during a regulatory control period

Our draft decision is that AusNet must price any new public lighting services it introduces during the 2026–31 period according to the control mechanism for quoted services. AusNet should only introduce new services because customers want them (customer driven). In proposing new services, we require that AusNet demonstrates customer support for such prices and services.

We consider this is consistent with our previous distribution determinations. We stated new alternative control services introduced during a regulatory control period with characteristics that are the same, or essentially the same, as other alternative control services should be priced as a quoted service until the next regulatory control period (see attachment 12).

It is worth considering that quoted services generally apply to one-off services. The control mechanism poses no administrative issues where, for example, a council agrees to pay for the installation of new technologies up-front.

However, some councils may prefer to pay for new technologies over their economic or useful life. We consider this is possible under the control mechanism for quoted services. This could involve determining the up-front costs based on the control mechanism formula as a first step. The distributor would then calculate an annual fee using a method appropriate to the service.

Further information about quoted services and introducing new prices within the 2026–31 period is set out in Attachment 12.

# Shortened forms

| Term | Definition |
|---|---|
| ACS | Alternative Control Services |
| AEMC | Australian Energy Market Commission |
| AER | Australian Energy Regulator |
| ANS | Ancillary network services |
| Capex | capital expenditure |
| CAM | Cost Allocation Method |
| CPI | Consumer Price Index |
| DNSP | distribution network service provider |
| F&A | framework and approach |
| LED | Light Emitting Diode |
| NEL | National Electricity Law |
| NEM | National Electricity Market |
| NER or the rules | National Electricity Rules |
| Opex | operating and maintenance expenditure |
| PTRM | Post-Tax Revenue Model |
| RAB | Regulatory Asset Base |
| RBA | Reserve Bank of Australia |
| RRG | Reset Reference Group |
| WACC | Weighted Average Cost of Capital |