
2025 Flexible Trading Arrangements

Cost pass through application

Friday, 14 November 2025



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1. Executive summary

On 15 August 2024, the Australian Energy Market Commission (**AEMC**) made a Rule determination, Unlocking CER benefits through flexible trading, in response to a rule change request submitted by the Australian Energy Market Operator (**AEMO**). AEMO's rule change proposal was developed as part of the Energy Security Board consumer energy resources (**CER**) implementation plan.

The AEMC explains that its Rule determination seeks to unlock substantial benefits from flexible CER for consumers and the system as a whole by making it easier for energy service providers to offer different products and services to consumers. The new Rule also aims to facilitate better integration of flexible CER into the power system to deliver a more reliable and secure energy system that will benefit all consumers.¹ These outcomes will be facilitated by making the following changes:

- Energy service providers for small and large customers will be able to separate and manage 'flexible' CER from 'passive' loads in the energy market, leading to the introduction of innovative products and services for consumers.
- Large customers will be able to engage multiple energy service providers at their premises more easily to manage and obtain more value from their CER.
- Market participants will be able to use in-built measurement capability in technology such as electric vehicle (EV) chargers and smart streetlights to enable the delivery of innovative and essential products and services at lower cost.

The AEMC explains that the benefits of these changes are expected to substantially outweigh the implementation costs, as detailed in a comprehensive cost-benefit analysis undertaken by Energia. While the implementation costs are expected to be relatively low compared to the expected benefits, Distribution Network Service Providers (**DNSPs**), such as AusNet, are required to make changes to their systems and processes as a result of the Rule change. In particular, we are required to change our procedures, processes and systems across a range of business functions and capabilities to support customers (small, commercial, industrial and local government organisations) seeking to leverage the new arrangements. In particular, the new Rules requires the following changes:

- **Support customers with secondary connection points with Type 8A and 8B metering in our systems** - for our customers with Type 4 metering (small and large customers) with a secondary settlement point with Type 8A or 8B metering in accordance with the new Rule clause 7.2.6(b)(3), AusNet will need to record and use this interval metering data to provide quality customer services in accordance with the Electricity Distribution Code of Practice applying to secondary settlement points, and make relevant determinations in respect to Section 7A of the AER's connection charge guideline for electricity customers. These changes are required by 1 November 2026.
- **Enable Type 9 metering for our customers** - for new and existing customers seeking to establish Type 9 metering connection points on our network for publicly accessible appliances (e.g., lights, EV chargers, telco equipment, or a Council with smart parking senses). Our existing interval metering data management system needs to be updated to incorporate, process and for Type 9 only, bill the data. Our customer information, asset management, and customer interface systems need to be updated to manage this new expectation. These changes are required by 31 May 2026.

Additionally, our processes and systems that interact with AEMO, retailers and service providers will need updating to maintain compliance with MSATS procedures in accordance with clause 7.16.2(a)-(c) of the NER and the B2B procedures, which will be finalised by the Information Exchange Committee (**IEC**) by 10 December 2025.

We expect to incur an increase in costs of approximately \$20.3 million (nominal) to implement these changes in our systems. Approximately \$15.2 million is forecast to be incurred during the 2025-26 year with the remaining costs being incurred in the 2026-27 year, i.e., the first year of the next regulatory period.

Clause 6.6.1 of the Rules provides for the recovery of cost increases that occur as a result of positive change event. In this case, the relevant cost pass through event relating to changes which are required as a result of the new Rule discussed above is the Service Standard Event.

As explained in this cost pass through application (**Application**), this event has been satisfied. AusNet is therefore submitting this Application to the Australian Energy Regulator (**AER**) in accordance with clause 6.6.1(c) of the National Electricity Rules (NER). In addition to updating our regulatory determination for this pass through event for the additional costs to be incurred during the 2025-26 regulatory period, a consequential adjustment will also need to be made to the application of the Capital Efficiency Sharing Scheme for that year.

¹ AEMC, National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024, 15 August 2024, page 1.

2. Cost pass through framework

2.1. Requirements under the framework

The pass through provisions in Chapter 6 of the NER allows a DNSP to seek approval from the AER to recover (by passing through to customers) a material increase in the costs of providing direct control services, where the increase is the result of an event specified in clause 6.6.1(a1) of the NER. A Service Standard Event is one such event, which is the relevant event in this Application.

To seek approval from the AER to pass through those costs, the NER require a DNSP to submit a written statement, i.e. this Application, to the AER within 90 business days of the relevant positive change event occurring², or such longer period as agreed to by the AER³. As explained in section 3.1, the AER granted an extension in relation to this Application to 15 November 2025.

This Application must address the matters outlined in clause 6.6.1(c), namely:

- the details of the positive change event;
- the date on which the positive change event occurred;
- the eligible pass through amount in respect of the positive change event;
- the positive pass through amount we are proposing in relation to the positive change event;
- the amount of the positive pass through amount that we propose should be passed through to distribution network users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred;
- evidence⁴:
 - of the actual and likely increase in costs referred to in clause 6.6.1(c)(3) of the Rules; and
 - that such costs occur solely as a consequence of the positive change event; and
- such other information as may be required under any relevant regulatory information instrument.

If the AER determines that a positive change event has occurred, it must determine:

- the approved pass through amount; and
- the amount of the approved pass through amount that should be passed through to distribution network users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred.

In making this decision, the AER must consider the factors listed in clause 6.6.1(j) of the NER.

In addition, the National Electricity Law (**NEL**) requires the AER, in exercising its economic regulatory functions and powers, to do so in a manner that will or is likely to contribute to the achievement of the National Electricity Objective (**NEO**). Of particular relevance to this Application is the revenue and pricing principle in the NEL⁵, which requires that a regulated network service provider should be provided with a reasonable opportunity to recover at least the efficient costs the operator incurs in providing direct control services and complying with a regulatory obligation or requirement or making a regulatory payment⁶.

2.2. Structure and content of this Application

This Application complies with the requirements of clause 6.6.1(c) of the NER and addresses these matters in the following sections:

- **Section 3** sets out the relevant details to enable the AER to determine that a positive change event has occurred in accordance with clauses 6.6.1(c)(1) and (2);
- **Section 4** provides details and evidence of the increase in costs in accordance with clauses 6.6.1(c)(6)(i) and (ii); and
- **Section 5** describes the eligible and proposed pass through amount in accordance with clauses 6.6.1(c)(3), (4) and (5).

² Clause 6.6.1(c).

³ Clause 6.6.1(k).

⁴ We have not recited clause 6.6.1(c)(6)(iii) as it relates to a retailer insolvency event and is not applicable.

⁵ Section 7A.

⁶ National Electricity Law, section 7A(2).

This Application also addresses the matters listed in clause 6.6.1(j) of the NER which the AER must take into account in deciding the approved pass through amounts.⁷

To support this Application, AusNet also provides the following information:

- a cost build up model, which details the incremental costs of addressing the Service Standard Event;
- an amended PTRM, which shows the impact on AusNet's revenue requirements if the Application is accepted; and
- a confidentiality template in accordance with the AER's confidentiality guidelines.

⁷ We note clause 6.6.1(c)(7) requires us to provide such other information as may be required under any relevant regulatory information instrument. No such instrument has been issued by the AER at the time of submitting this Application. However, clause 6.6.1(e1) provides scope for the AER to request additional information to help it make its determination. We will welcome any such engagement if it will assist the AER in its deliberations.

3. Positive change pass through event

3.1. Event summary

The AEMC published a Final Determination on 15 August 2024 for the 'Unlocking CER benefits through flexible trading' (FTA) Rule. The FTA Rule makes a series of changes that, alongside other reforms, will unlock benefits from CER for consumers and the energy system as a whole. As explained below, however, it will lead to significant system and process changes for AusNet which will result in increased and unavoidable costs. For that reason, the FTA Rule constitutes a Service Standard Event, which is relevantly defined as:⁸

A legislative or administrative act or decision that:

(a) has the effect of:

- (i) substantially varying, during the course of a regulatory control period, the manner in which a Transmission Network Service Provider is required to provide a prescribed transmission service, or a Distribution Network Service Provider is required to provide a direct control service; or
- (ii) imposing, removing or varying, during the course of a regulatory control period, minimum service standards applicable to prescribed transmission services or direct control services; or
- (iii) altering, during the course of a regulatory control period, the nature or scope of the prescribed transmission services or direct control services, provided by the service provider; and

(b) materially increases or materially decreases the costs to the service provider of providing prescribed transmission services or direct control services. (Emphasis added)

We set out below how the FTA Rule meets limb (a) and (b) of the definition above.

3.1.2. Effect of a legislative or administrative act or decision

The FTA rule will enable three key arrangements:

- Energy service providers for small and large customers will be able to separate and manage 'flexible' CER from 'passive' loads in the energy market, leading to innovative products and services for consumers.
- Large customers will be able to engage multiple energy service providers at their premises more easily to manage and obtain more value from their CER.
- Market participants will be able to use in-built measurement capability in technology such as EV chargers and smart streetlights to enable the delivery of innovative and essential products and services at lower cost.

To support these arrangements the FTA Rule has introduced new metering types into the NER:

- Type 9 – used to identify smart streetlights and other street furniture such as public EV chargers and other previously unmetered devices such as electronic advertising hoardings and NBN cabinets.
- Type 8A/8B – used to identify primary connection points or behind-the-meter secondary settlement points for Large customers (8A) and behind-the-meter secondary settlement points for Small customers (8B).

The FTA rule provides that obligations related to type 9 metering commence from 31 May 2026 and for type 8 metering from 1 November 2026. In addition to the new meter types, the FTA rule introduces a new market role, the NMI Service Provider (**NMISP**), who will be responsible for NMI allocations and maintaining NMI standing data related to SSPs. AusNet will be corresponding with NMISPs via B2B Service Orders (**SOs**) and MSATS Consumer Administration and Transfer Solution (**CATS**) transactions.

At a high level, the FTA Rule will require AusNet to update its systems and processes to accommodate new metering asset classes (Type 8A, 8B, and 9). This includes registering new devices in CIC (for assets we own), capturing commissioning and status data integrated into the existing asset management framework. Lifecycle planning will also address asset tracking, condition monitoring, and end-of-life processes to support compliance, operational reliability, and efficient long-term management of the expanded metering fleet. If these changes are not made, AusNet would fail to comply with the following provisions of the amended NER:

- clause 7.8.2(d)(1), which requires that Local Network Service Provider, i.e., AusNet must:

⁸ NER, Chapter 10.

- issue a unique NMI for each metering installation on its network (including Type 9 metering) to the financially responsible Market Participant; and
- register the NMI with AEMO in accordance with procedures from time to time specified by AEMO.
- 7.16.2(c), insofar as the implementation of the FTA Rule change will require amendments to the B2B and MSATS schemas to support new meter types and transaction flows which we must comply. AEMO is consulting on the specific procedural and system changes needed, including updates to the B2B e-hub and procedures, with these arrangements expected to be finalised by 10 December 2025. AusNet is required to comply with these requirements, in accordance with NER clause 7.16.2(c); and
- clauses 7.15.5(d) and 7.15.5(f), which require the DNSP to provide meter data for Type 8A, 8B and 9 meters to customers and their authorised third parties in accordance with AEMO's Meter Data Provisioning Procedures (MDPP).

In addition to complying with these Rule obligations, AusNet must also comply with the Victorian Electricity Distribution Code of Practice (**EDCoP**). In particular:

- Clause 3.2 requires that a distributor must comply with its obligations under the NER in responding to a connection application (including making a connection offer or entering into a connection contract) and carrying out the connection work. The FTA Rule mandates the installation of new metering types, each introducing unique data and requirements,
- Clause 6.2 requires that a distributor must comply with the applicable metering codes.
- Clause 8.8 requires that a distributor must provide a statement of charges to a retailer that includes the network charges in respect of each shared customer's supply address for which metering data was received, or for which the distributor provided any other service, during that retail billing period;

Given the above obligations and the consequential impact of the FTA Rule, AusNet now faces increased costs of complying with the EDCoP.

In relation to Victorian arrangements, Draft Ministerial Orders to amend the National Electricity (Victoria) Act 2005 have been prepared, the objective of which are to:

- ensure general consistency with the AEMC's decision to implement flexible trading arrangements through National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024 No. 15; while
- preserving Victorian requirements for the installation and performance of relevant metering installations.

The Victorian Government has also prepared amendments to the Advanced Metering Infrastructure Order, being the 'Obligations to Install Meters' Order 2025, which also support the policy objectives set out in the AEMC's FTA Rule determination. In summary, the Victorian arrangements in relation to metering services reinforce the need for AusNet to make the system and process changes to comply with the FTA Rule.

In summary, we note that the primary effect of the FTA Rule encompasses the NER changes with consequential changes to the MSATS and B2B procedures as well as Victorian Ministerial Orders for the reforms to be implemented specifically in Victoria. We consider then that the FTA Rule made by the AEMC on 15 August 2024 constitutes a legislative or administrative act or decision by the AEMC, and the related changes to procedures for which we must comply as well as changes to the Victorian arrangements to accommodate the FTA Rule, collectively form part of a single cost pass through event.

Accordingly, these changes substantially vary how we are required to provide direct control services as well as altering the nature and scope of the direct control services we are required to provide. For example, the reforms:

- vary how we are required to interact with market, other participants' systems, customers and customers' authorised representatives in accordance with the MDPP, relevant MSATS and B2B procedures; and
- add to the scope of the activities we must provide including the new metering services and aligning our systems and procedures to be consistent with these changes, including having operational visibility of secondary settlement points as required by the FTA Rules.

In addition to the information already provided, further detail on the impact to our systems and procedures is set out in Section 4.1. All of these systems and procedure upgrades, which are the subject of this cost pass through application, are deployed to provide standard control services, that is, because they relate to system level, market-enabling upgrades required of all distribution networks. The cost impact of the FTA Rule in relation to the provision of alternative control services has been excluded from this Application.

Whilst the FTA Rule is being implemented in two stages (i.e. the first stage by 31 May 2026 which is within the current regulatory control period, and the second stage by 1 November 2026 which is in the next regulatory control period), in order to ensure compliance readiness for the entire program of reforms we will incur costs to update our systems and processes within this regulatory control period. Accordingly, consistent with a Service Standard Event, the effect of the FTA Rule on the manner in which we provide direct control services is largely impacting us within the current regulatory period – in particular 2025/25 regulatory year, with some costs being incurred in the 2026-27 regulatory year, i.e., the first year of the next regulatory period, which will form part of our regulatory proposal for the forthcoming 2026-31 regulatory control period.

Alternatively, if the AER considers, for any reason, that the effect of the legislative or administrative act or decision is in the next regulatory control period, then we would rely upon the Regulatory Change Event cost pass through event which focuses on whether the change in the regulatory obligation (i.e. the change in the NER and related procedures and requirements) has occurred in this regulatory control period (which it has, being 15 August 2024), rather than assessing the timing of its effect on the manner in which the DNSP provides direct control services. For reasons provided above, we consider however that the better view is that the costs associated with complying with the FTA Rule arrangements constitutes a Service Standard Event.

3.1.3. **Materially increases costs of providing direct control services**

The second part of the Service Standard Event definition requires the event to have materially increased (or decreased) costs.

In the context of a cost pass through application, 'materially' is defined in Chapter 10 of the NER as:

For the purposes of the application of clause 6.6.1, an event results in a Distribution Network Service Provider incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the Distribution Network Service Provider has incurred and is likely to incur in any regulatory year of a regulatory control period, as a result of that event, exceeds 1% of the annual revenue requirement for the Distribution Network Service Provider for that regulatory year.

As detailed in section 5.3, the costs we expect to incur as a result of the FTA Reforms, and which are associated with direct control services, is \$13.0 million (\$ Jun 2021) in 2025-26. The change in costs exceeds 1% of the annual revenue requirement for that regulatory year. Accordingly, the second limb of the service standard event is met.

15.2

3.2. **Timing of this Application**

To seek approval from the AER to pass through the costs arising from a Service Standard Event, the NER requires that the DNSP must submit a written statement to the AER within 90 business days of the relevant positive change event occurring,⁹ or such longer period as agreed to by the AER.

For the purposes of the NER clause 6.6.1(c)(2), we consider that the positive change event occurred on 15 August 2025, when the AEMC made the FTA Rule.

In October 2024, AusNet wrote to the AER seeking an extension in relation to two potential pass through applications, including one relating to the FTA Rule. The need for the extension was related to the fact that market and system changes had not yet been modified to inform the cost estimates associated with the reforms. In response to that request and uncertainty, the AER granted an extension to 15 November 2025.¹⁰ In granting the time extension, the AER commented that it is satisfied that an extension in time is necessary to allow AusNet to fully assess and quantify the implementation costs associated with the FTA Rule. Given the AER's time extension, this Application, which is made prior to 15 November 2025, complies with the Rules requirements in relation to its timing.

3.3. **Positive change event**

In the context of a cost pass through application, a positive change event is defined for a DNSP to be, relevantly:

- (a) *a pass through event, other than a retailer insolvency event, which entails the Distribution Network Service Provider incurring materially higher costs in providing direct control services than it would have incurred but for that event, but does not include a contingent project or an associated trigger event; or*
- (b) *a retailer insolvency event.*

The FTA Rule and related reforms, consist of a positive change event as they meet the requirements of a Service Standard Event, resulting in a material increase costs, and do not relate to a contingent project, associated trigger event or retailer insolvency event.

A contingent project is a contingent project proposed by the DNSP that is approved by the AER in accordance with clause 6.6A.1(b) of the NER. A trigger event is a specific condition or event described in clause 6.6A.1(c) of the NER, the occurrence of which, during the relevant regulatory period, may result in the amendment of a distribution determination under clause 6.6A.2 of the NER.

The AER's Final Decision for our 2021-26 regulatory period did not include any contingent projects. As such, we did not propose, and the AER did not approve, a contingent project for expenditure of the kind required by the Service Standard Event described in this Application.

⁹ Clause 6.6.1(c), NER.

¹⁰ Letter from Arek Gulbenkoglul. AER, General Manager Network Expenditure to Charlotte Eddy, AusNet, dated 15 November 2024.

Clause 6.6.1(c)(c1) of the NER requires that the positive pass through amount proposed not include any expenditure for a restricted asset, unless in conjunction with a request for asset exemption. The expenditure associated with this Application is not related to restricted assets and, therefore, this is not applicable.

Therefore, the Service Standard Event described in this Application is not precluded from being a positive pass through event by virtue of the matters contained in clauses 6.6A.1(b) or 6.6.1(c)(c1) of the NER.

4. Costs impact of the event

As explained in section 3.1, the FTA Rule requires AusNet to make a number of changes to its system and processes in order to comply with these new requirements. These changes vary the manner in which AusNet provides standard control services, as well as changing the scope of the services provided as part of common distribution services. In particular, the upgrades required relate to ensuring market-compliant systems and procedures necessary to a DNSP's operations in providing essential services to customers.

The purpose of this section is to provide further information on the scope of these changes and their costs implications.

4.1. Required changes

The FTA rule change will affect a distributor's systems and processes as they need to accommodate new metering types, such as Type 9 for previously unmetered supply points like streetlights. It will also necessitate changes to support new business models that separate flexible CER from passive loads and enable multiple energy service providers at large customer premises. Distributors must adapt their systems and processes to support these new arrangements, including potentially establishing secondary NMs and allocating network tariffs to the correct Market Participants.

Table 1 provides a high-level overview of the new metering types that are being introduced by the FTA Rule, and the scope of the required changes to achieve compliance, and the compliance date.

Table 1: New metering types and scope of the required changes

Type	Metering arrangements	Description of new arrangements	Scope of the required changes
8A	Contestable Type 8A meters behind AMI Type 1-4 meters	New meter type 8A can be used for any Secondary Settlement Point (SSP) at a large customer premises, or at the Premises Connection Point (PCP).	Accept Meter Data, Standing Data and actively work with B2B transactions. Changes to our data reporting and B2B interfaces. Providing meter data to customers and authorised recipients on request. These changes are required by 1 Nov 2026.
8B	Contestable Type 8B meters behind AMI Type 5 meters	New meter type 8B can be used for any SSP at a small customer premises, or at the PCP.	Accept Meter Data, Standing Data and actively work with B2B transactions. Changes to our data reporting and B2B interfaces. Providing meter data to customers and authorised recipients on request. These changes are required by 1 Nov 2026
9 Non-CMS	Contestable Type 9 meters in customer assets	New meter type 9, kerbside EV charging points, and some existing unmetered connections where traditional metering cannot be practically accommodated.	Create new Type 9 new connections and NMs. Accept Meter Data, Standing Data and actively work with B2B transactions, and correctly bill the customer. Providing meter data to customers and authorised recipients on request. These changes are required by 31 May 2026.
9 CMS contestable	Contestable Type 9 meters in AusNet assets (e.g., public lights, security lights)	New meter type 9, smart streetlighting systems provided by contestable metering providers	Create new Type 9 new connections and NMs. Asset management data to distinguish non-AusNet controller and respond accordingly. Identifying NMs by pole numbers.

Type	Metering arrangements	Description of new arrangements	Scope of the required changes
			Accept Meter Data, MSATS Standing Data changes, actively work with B2B transactions and correctly bill the customer. This requirement must be met by 31 May 2026.

Source: AusNet.

The scope of this Application is limited to determining the changes that are required to meet our obligations in relation of direct control services. The costs of providing Alternative Control Services, such as Type 9 public lighting metering services, are recovered directly from the requesting customer and therefore are not included in this Application. While the provision of Alternative Control Services will be met by the relevant customer, the FTA Rule requires that our systems and processes are capable of accommodating and managing Type 9 metering. To achieve this outcome, we intend to deliver the minimum required systems and interfaces to our systems and processes for service provision consistent with Council expectations, including:

- Establish a Central Management Systems to interface with smart lights and provide near real time data interface with Councils and DTP;
- Enable changes to customer interaction tools (our Customer Relationship Management system, Energy Connect and CIC) to ensure accuracy in communications and notifications; and
- Integration across our Enterprise Application Integration system

Lifecycle planning will also address asset tracking, condition monitoring, and end-of-life processes to support compliance, operational reliability, and efficient long-term management of the expanded metering fleet.

The changes described in Table 1 will also impact market transactions as we need to incorporate and correctly use new and updated fields in MSATS CATS Procedures and B2B Procedures. At a very high-level, the required changes will include:

- Establishing Type 9 NMIs at the specified location;
- Confirm that Type 9 meters are commissioned (and confirming that Type 9 equipment should be removed to prevent double billing);
- Correctly updated NMI Standing Data for Type 8 and 9 NMIs;
- Providing PCP data to Type 8A/8B NMISPs through MSATS CATS transactions;
- Managing the new meter types, checking relevant data to billing, and meter data receipt and requests for correction;
- Providing to Type 8A, 8B and 9 to authorised parties; and
- Incorporating Type 9 meter data received for billing.

As part of these changes, updates to cybersecurity protocols and patterns will be required to ensure secure data exchange and compliance. In addition, extensive testing to ensure accurate reception, storage, and management of third-party data, as well as the integration of systems and new meter devices, will be a key factor in the successful delivery of these changes. The complexity of the environment and the affected systems are captured in Figure 1 below.

Figure 1: Overview of the systems and processes affected by FTA

CIC

Source: AusNet.

To provide further information on the scope of the required changes, the tables below describe how the FTA Rule requirements will impact:

- AusNet's systems and processes; and
- AusNet's business functions.

The FTA project has been scoped to address each of these requirements so that compliance is achieved by the relevant dates. Stakeholder engagement is a key element of the project, both in terms of scoping the required works and ensuring that the changes, impacts and timelines are communicated to the relevant internal and external stakeholders.

Table 2: Impact of FTA Rule on AusNet's systems and processes

	System impacted by FTA Rule	Scope of required changes
1	Customer Portal Energy Connect	Update to support new meter type obligations related to service management of: NMI allocation, Connections, Alterations and Abolishments.
2	Customer Relationship Management CIC	Update to support new hierarchies, customer information and meter types in interfaces and data exchange
3	LGO/VicRoads Portal Public Lighting Portal	Update to Type 9 Street Light obligations to display all new relevant information to Type 9 streetlights (contestable).
4	Customer Information System CIC	Associate new meter types with the customer & product in market facing systems (CIC), and include changes to Standing Data and procedure changes to identify new metering
5	Asset Management CIC Spatial Data Management (CIC)	Register changes and critical new information for assets we own, and support new asset types for procurement, inventory, project management & services
6	Meter Data Management System CIC	build processing in our meter data management systems (CIC) for energy data processing and storage Update to support new meter type obligations for energy data processing and meter data storage and exception management
7	Network Billing CIC	Update to support new meter types, new product code mapping and required changes
8	Enterprise Application Integration (EAI) CIC	System integration changes to data transfers and requests between systems
9	Reporting and Datalake CIC	<ul style="list-style-type: none"> Update data storage and processing repositories (CIC) that are used to respond to requests pursuant to the AEMO's MDPP, including: Support for new meter types reporting obligation changes Required to identify business exceptions that may result in breaches to obligations from connection anomalies or incorrect customer billing obligations. Providing meter data to customers and authorised third parties, in accordance with AEMO's MDPPs.
10	B2B Gateway	Procedure changes with new fields Requirements to use existing B2B transactions not otherwise used

Source: AusNet.

Table 3 below shows the impact of the FTA Rule on 7 business functions across AusNet, and the scope of the required changes to achieve compliance with the new Rule.

Table 3: Impact of FTA Rule across AusNet's business functions

	Business functions	Scope of required changes
1	Asset management	<ul style="list-style-type: none"> • Configure asset structure and relationships • Configure asset update based on B2B MSW information / notifications • Maintain asset documentation and guides • Update applicable lifecycle indicators and follow on procedures
2	Connections	<ul style="list-style-type: none"> • Updating network designs to identify Type 9 metering • New installations with Type 9 • Project management of connections • Synchronisation with B2B Meter Service Works completions
3	Operations & Works management	<ul style="list-style-type: none"> • Update maintenance processes • Temporary rectification of AusNet light with contestable Type 9 meter and sending a B2B meter fault notification to the retailer • Update work pack and work instructions • Applicable HSE procedures
4	Finance & Billing	<ul style="list-style-type: none"> • Consideration for accounting of build phase and operation phase • Tariffs change management and billing charges • Billing Type 9 metered NMI
5	Metering	<ul style="list-style-type: none"> • NMI allocation for Type 9 • Meter Data Management – storing and exception management
6	Customer Engagement	<ul style="list-style-type: none"> • Engagement with Telstra, NBNCo, other Telcos, DTP, LGOs • Potential liaising with retailers regarding contract negotiations for new service providers
7	Market management (AEMO & Retailers)	<ul style="list-style-type: none"> • Store and manage market messages • Manage communication for Type 8A/8B metered NMIs and Type 9 non-CMS metered NMIs

Source: AusNet.

4.2. Incremental cost impact

AusNet has developed an FTA project to describe and cost the scope of the required changes from the FTA Rule. To do so, we assessed the requirements to determine the design for the FTA system and process changes. These requirements were developed and confirmed in workshops with business subject matter experts (**SMEs**) and functional leads/managers. The outcome of these meetings was a documented list of Workflows, Reports, Interface, Conversion, Enhancements, and Forms (**WRICEF**).

Our IT Vendors (CIC) that support, as primary interface, our digital systems provided estimates and quotations to deliver the documented WRICEFs requirements. Additionally, our change management team estimated the

resources needed for training, change management and communications. These three components form the basis for the incremental costs included in this Application.

Our IT Vendors provided detailed estimates for the documented WRICEFs of their costs using their standard methodologies. Additionally, our change management team also estimated the resources for training and change management. Most the work is required for the 31 May 2026 FTA Rule effective date for Type 9 obligations, and the remaining work is required to be delivered on the 1 November 2026 FTA Rule effective date for Type 8 obligations.

The tables below show the incremental cost information split between capital and operating expenditure. We note that approximately \$15.2 million is forecast to be incurred during the 2025-26 regulatory year with the remaining \$5.1 million being incurred in the 2026-27 regulatory year, i.e., the first year of the next regulatory period.

Table 4: Total incremental expenditure requirements during the 2025-26 regulatory year (\$m nominal)

	Capex	Opex	Total
CIC	CIC	-	CIC
CIC	CIC	CIC	CIC
Infrastructure	CIC	CIC	CIC
AusNet's change management (Training, Operating model changes, Change management & communication), stakeholder resources	0.64	-	0.64
AusNet's additional Digital project management and governance resources	2.08	-	2.08
Total	15.02	0.17	15.25

Source: AusNet.

Table 5: Total incremental expenditure requirements during the 2026-31 regulatory year (\$m nominal), capital overheads excluded

	Capex	Opex 26-27	Opex 27-28	Opex 28-31	Total
CIC	CIC	-	CIC	CIC	-
CIC	CIC	CIC	CIC	CIC	CIC
Infrastructure	CIC	CIC	CIC	CIC	CIC
AusNet's change management (Training, Operating model changes, Change management & communication), stakeholder resources	0.23	-	--	-	0.23
AusNet's additional Digital project management and governance resources	0.44	-	-	-	0.44
Total	4.34	0.15	0.41	0.08 per year	5.06

Source: AusNet.

4.3. Ongoing costs in the forthcoming regulatory period

AusNet requires on-going opex to maintain upgraded server infrastructure for compliance with the new FTA Rule obligations. The costs forecast to be incurred next regulatory period will be included in our Revised Regulatory Proposal for the 2026-31 regulatory control period. These are made up of standard control forecast non-recurrent capital expenditure of is \$4.35 million (nominal), non-recurrent operating expenditure of \$0.48 million and ongoing operating expenditure of \$0.08 million per year. Our incremental (step) operating expenditure is required for infrastructure maintenance which includes the additional allocation of contractor staff resources.

5. Eligible and proposed pass through amount

Clause 6.6.1(c)(3) of NER requires that this Application specifies the 'eligible pass through amount'; the 'positive change amount' and the amount that should be passed through in each year of the regulatory period. This information, including the materiality of the cost increase, is set out in this section.

It should be noted that the Service Standard Event affects costs in 2025-26 and the 2026-27 regulatory period, with 2025-26 being the final year of the current regulatory period. Given the timing of this Application, the proposed pass through amount will not feed through to consumers' bills until the subsequent regulatory period. The approval of the cost pass through amount will impact the calculation of Capital Expenditure Sharing Scheme and the Efficiency Benefit Sharing Scheme in relation to the 2025-26 regulatory year.

5.1. Eligible pass through amount

The eligible pass through amount is the increase in costs in the provision of direct control services that we have incurred and is likely to incur until the end of the current regulatory period or the end of the following regulatory period if the determination does not make an allowance for the increases in cost.

The relevant amounts are shown in the Table below. As already noted, the majority of the costs arising from the FTA Rule will be incurred during the 2025-26 regulatory year, with some costs being incurred in the 2026-27 regulatory year, i.e., the first two years of the next regulatory period, and some incremental ongoing opex.

The eligible pass through amount is \$15.2 million (nominal). We propose to include the remaining \$5.16 million (nominal) in our revised regulatory proposal for the next regulatory period.

Table 6: Eligible pass through amount (\$m, \$ Jun 2021)

\$ JUN 2021	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Capital expenditure	12.84	3.57	-	-	-	-	16.47
Operating expenditure	0.14	0.12	0.34	0.07	0.07	0.07	0.81
Total	12.98	3.70	0.34	0.07	0.07	0.07	17.28

Source: AusNet.

5.2. Proposed positive pass through amount

Clause 6.6.1(c)(4) and (c)(5) of the NER requires us to specify the positive pass through amount that we propose in relation to the positive change event, and the amount to be recovered in each year. The positive pass through amount is defined as an amount not exceeding the eligible pass through amount.

We propose a positive pass through amount of \$0.14 million (\$2021, unsmoothed), or \$0.17 million (nominal). We have calculated the positive pass through amount as the change in our required revenues for the 2021-26 regulatory period due to the Service Standard Event. The table below shows the incremental increase in the building block revenue in the current regulatory period. We propose to recover this in 2026-27 prices.

As noted above we propose to include the balance of the eligible pass through amount in our Revised Revenue Proposal for the 2026-31 regulatory period, which is due to the AER on 1 December 2025.

Table 7: Positive pass through amount (\$m, real June 2021)

	2021-22	2022-23	2023-24	2024-25	2025-26	TOTAL
Return on capital	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Operating expenditure	-	-	-	-	0.14	0.14
Revenue adjustments	-	-	-	-	-	-
Tax	-	-	-	-	-	-

Building block revenue	-	-	-	-	0.14	0.14
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Source: AusNet.

The PTRM used to calculate the pass through amount with this application is provided as Attachment 2¹¹.

5.3. Materiality

AusNet is only able to pass through the costs of the Service Standard Event if the event has led to us 'incurring materially higher costs in providing direct control services'. The NER defines the term 'materially' as a 'change in costs (as opposed to the revenue impact)' that 'exceeds 1% of the annual revenue requirement for the DNSP for that regulatory year'.

The table below sets out this calculation. It shows that the Service Standard Event in this Application led to a change in our costs of \$13.0 million (\$ Jun 2021) in the 2025-26 regulatory year and that, when measured against our 2025-26 annual revenue requirement, this amount exceeds the 1% materiality threshold in the NER, as shown in Table 8.

Table 8: Cost impact meets the materiality threshold (\$m, Jun 2021)

	2025-26
Maximum allowed revenue	658.1
Service Standard Event	13.0
Percentage increase	1.97%

Source: AusNet.

5.4. Costs as a consequence of the positive change event

Clause 6.6.1(c)(6)(ii) of the NER requires us to provide evidence that the actual and likely increase in costs included in the eligible pass through amount occurred solely as a consequence of the positive change event. Similarly, clause 6.6.1(j)(5) of the NER requires the AER, in determining the approved pass through amount and the amount to be passed through to users in each regulatory year, to take into account the need to ensure the DNSP only recovers any actual or likely increment in costs that are incurred solely as a consequence of the positive change event.

In calculating the eligible pass through amount, we have included only the incremental costs for those activities that were or will be incurred solely as a result of the positive change event.

¹¹ This PTRM is based on the approved version of our PTRM model which incorporates the 2024-25 return on debt update and our VEBM pass through amount.

6. Compliance checklist

This section provides information on the compliance of AusNet's pass through application with the NER pass through provisions (as set out in Cl 6.6.1), and to the location of the relevant information in our application.

Table 9: Compliance with the NER requirements

NER Clause	Requirement	Information provided	Reference
6.6.1 (c)	A DNSP must submit a statement within 90 business days of the relevant positive change event occurring, or as otherwise agreed by the AER in accordance with sub-clause (k).	The AER granted an extension to 15 November 2025. With the time extension granted by the AER, this application was submitted within the timeframe specified by the AER.	Section 3.2
6.6.1(c)(1)	The statement must specify: <ul style="list-style-type: none"> The details of the positive change event 	The FTA Rule constitutes a Service Standard Event, and positive change event. If the AER does not agree the definition of Service Standard Event has been met, we submit this event also constitutes a Regulatory Change Event.	Section 3.1
6.6.1(c)(2)	<ul style="list-style-type: none"> The date on which the positive change event occurred 	The positive change event occurred on the making of the Rule determination on 15 August 2024.	Section 3.1
6.6.1(c)(3)	<ul style="list-style-type: none"> The eligible pass through amount, being the increase costs in the provision of direct control services as a result of the positive change event 	The eligible pass through amount is \$20.3m (nominal), or \$17.3 (real \$ Jun 2021). Of this amount, \$15.1m (nominal) or \$13.0m (real \$ Jun 2021) will be included in our Revised Revenue Proposal expenditure forecasts.	Section 5.1
6.6.1(c)(4)	<ul style="list-style-type: none"> The positive pass-through amount proposed 	The proposed positive pass through amount is \$0.17m (real \$ Jun 2021).	Section 5.2
6.6.1(c)(5)	<ul style="list-style-type: none"> The amount proposed to be passed through in the regulatory year in which the event occurred, and in subsequent regulatory years 	We propose to pass \$0.17m (nominal) through in the 2026-27 regulatory year.	Section 5.2
6.6.1(c)(6)(i)	Evidence of: <ul style="list-style-type: none"> the actual and likely increases 	The actual and likely cost increases reflect the scope of works in the FTA project which is necessary to meet the new compliance obligations.	Sections 4.1 and 4.2
6.6.1(c)(6)(ii)	<ul style="list-style-type: none"> that the costs occur solely as a consequence of the positive change event 	The scope of the FTA project is limited to the incremental costs of meeting the new compliance obligations.	Section 4.2
6.6.1(c)(6)(iii)	<ul style="list-style-type: none"> relates to the circumstances where the cause of costs is a retailer insolvency event 	Not Applicable	N/A
6.6.1(c)(7)	<ul style="list-style-type: none"> other information as required under any relevant regulatory instrument 	Not Applicable	N/A

(6) (c1)

- relates to the pass through amount including expenditure for a restricted asset

Not Applicable

N/A

7. List of attachments

This Application is supported by the following attachments

ATTACHMENT

1. Detailed Digital costings

- ASD - Attachment 1.1 - Build up of costs model - CONFIDENTIAL - 11 November 2025.xlsx

2. PTRM update:

- AER - AusNet Services Dx PTRM - 2025-26 RoD update (inc storm and VEBM CPT) - FTA application.xlsm
- AER - PTRM - Draft decision - AusNet distribution determination 2026-31 - September 2025 - FTA CPT.xlsm
- AER - RFM - Draft decision - AusNet distribution determination 2026-31 - September 2025 - FTA CPT.xlsm
- AER - Depreciation tracking module - Draft decision - AusNet - 2026-31 - September 2025 - FTA CPT.xlsm

3. Business case – however our supporting business case and NPV analysis applies additional overhead, contingency and other finance costs. These additional costs are not part of our cost pass through application.

- ASD - HX-0015702 Flexible Trading Arrangements (FTA) Business Case – NER CONF.docx
- ASD - Business Case Costings FTA – NER CONF.xlsx
- ASD - HX-0015702 Flexible Trading Arrangements NPV_Nov 15 - CONF.xlsm

Attachment 1 - Confidentiality template

Title, page and paragraph number of document containing the confidential information	Description of the confidential information	Identify the recognised confidentiality category that the confidential information falls within.	Why the confidential information falls into the selected category.	Specify reasons supporting how and why detriment would be caused from disclosing the confidential information.	Provide any reasons supporting why the identified detriment is not outweighed by the public benefit.
ASD Flexible Trading pass through Section 3.12 P.6 Section 4.1 P.11 Figure 1 P.12 Table 2 P.14 Section 4.2 P.16 Table 5 P.16	Vendor names and vendor product names. Diagram containing detailed system architecture.	Market Sensitive Cost Inputs; ICT system Architecture.	The names of equipment manufacturers, software vendors, and their specific products are commercially sensitive and confidential.	Disclosure of this information could compromise competitive tender processes and impact AusNet's ability to negotiate competitive procurement terms. Public disclosure could also provide insights into AusNet's procurement strategy, reducing its commercial advantage in purchasing negotiations.	Provision of this information would not be of any public benefit but may compromise AusNet in future commercial negotiations, leading to higher costs.
ASD - Attachment 1.1 - Build up of costs model - CONFIDENTIAL - 11 November 2025 Entire Model	Vendor names and vendor product names; Cost expectations for metering product refreshes and upgrades.	Market Sensitive Cost Inputs;	The names of equipment manufacturers, software vendors, and their specific products are commercially sensitive and confidential. The redacted information includes internal cost expectations for product upgrades	Disclosure of this information could compromise competitive tender processes and impact AusNet's ability to negotiate competitive procurement terms. Public disclosure could also provide competitors with insights into AusNet's procurement strategy, reducing its commercial advantage.	Provision of this information would not be of any public benefit but may compromise AusNet in future commercial negotiations, leading to higher costs. There is no public benefit in disclosing this information, as it could lead to higher costs for consumers by limiting AusNet's ability to secure optimal pricing.
HX-0015702 Flexible Trading Arrangements (FTA) Business Case – NER	Vendor names and vendor product names.	Market Sensitive Cost Inputs; ICT system	The names of equipment manufacturers, software vendors, and	Disclosure of this information could compromise competitive tender processes and impact AusNet's ability to negotiate	Provision of this information would not be of any public benefit but may compromise AusNet in future

Entire Document	Diagram containing detailed system architecture. Commercial in confidence information about internal delivery framework Employee names & Signature	Architecture.	their specific products are commercially sensitive and confidential.	competitive procurement terms. Public disclosure could also provide insights into AusNet's procurement strategy, reducing its commercial advantage in purchasing negotiations.	commercial negotiations, leading to higher costs.
Business Case Costings FTA - NER.xlsx Entire Model	Vendor names and vendor product names; Cost expectations for metering product refreshes and upgrades.	Market Sensitive Cost Inputs;	The names of equipment manufacturers, software vendors, and their specific products are commercially sensitive and confidential. The redacted information includes internal cost expectations for product upgrades and	Disclosure of this information could compromise competitive tender processes and impact AusNet's ability to negotiate competitive procurement terms. Public disclosure could also provide competitors with insights into AusNet's procurement strategy, reducing its commercial advantage.	Provision of this information would not be of any public benefit but may compromise AusNet in future commercial negotiations, leading to higher costs. There is no public benefit in disclosing this information, as it could lead to higher costs for consumers by limiting AusNet's ability to secure optimal pricing.
ASD - HX-0015702 Flexible Trading Arrangements NPV_Nov 15.xlsm Entire Model	Vendor names and vendor product names; Cost expectations for metering product refreshes and upgrades.	Market Sensitive Cost Inputs;	The names of equipment manufacturers, software vendors, and their specific products are commercially sensitive and confidential. The redacted information includes internal cost expectations for product upgrades	Disclosure of this information could compromise competitive tender processes and impact AusNet's ability to negotiate competitive procurement terms. Public disclosure could also provide competitors with insights into AusNet's procurement strategy, reducing its commercial advantage.	Provision of this information would not be of any public benefit but may compromise AusNet in future commercial negotiations, leading to higher costs. There is no public benefit in disclosing this information, as it could lead to higher costs for consumers by limiting AusNet's ability to secure optimal pricing.

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