



Jemena Electricity Networks (Vic) Ltd

Pass through application

Unlocking CER Benefits by Flexible Trading Arrangements (FTA)



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Abbreviations

ACS	Alternative Control Services
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AMI	Advanced Metering Infrastructure
API	Application Programming Interface
B2B	Business to Business transactions
BRS	Business Requirements Specification
CMS	Central Management System
FTA	Flexible Trading Arrangements
GIS	Graphical Information Systems
GS	Global Settlements
IEE	Itron Enterprise Edition
IT	Information Technology
IVR	Interactive Voice Response
JEN	Jemena Electricity Networks (Vic) Ltd.
JSAP	JEN Corporate SAP
LNSP	Local Network Service Provider
MC	Metering Coordinator
MDMS	Meter Data Management System
MDP	Meter Data Provider
MSATS	Market Settlement and Transfer Solutions
MSI	Market Systems Integration
MP	Meter Provider
NEM	National Electricity Market
NER	National Electricity Rules
NMI	National Metering Identifier
NMS	Network Management System
OMS	Outage Management Systems
OT	Operational Technology
RFI	Request for Information
RTS	Real Time Systems
SAD	Solution Architecture Design
SCS	Standard Control Services
UIQ	Utility IQ
VIC-AMI	Advanced Meter Installations in Victoria
WTN	WebMethods Trading Network

1. Executive summary

Jemena Electricity Networks (Vic) Ltd (JEN) is making an application to the Australian Energy Regulator (AER) in accordance with the National Electricity Rule (NER) clause 6.6.1(a) to recover costs associated with the Information and Communication Technology (ICT) changes in JEN's systems and business processes, necessitated by the Flexible Trading Arrangement reforms (FTA Reforms).¹

On 15 August 2024 the Australian Energy Market Commission (AEMC) changed the NER to require the implementation of flexible trading arrangements. The purpose of this rule change, along with other reforms, is to unlock substantial benefits from Consumers Energy Resources (CER) for consumers and the system as a whole.

The AEMC considers that the rules will enable:²

- Large customers to engage multiple energy service providers to manage and obtain more value from their CER.
- Energy service providers for small and larger customers to separate and manage flexible CER from passive loads in the energy market, which is intended to lead to innovative products and services for consumers.
- Market participants to use the in-built measurement capacity in technologies such as electric vehicle chargers and streetlights to enable innovative and essential products and services at a lower cost.

Changes to the retail market procedures, business-to-business procedures, as well as Victorian-specific jurisdictional arrangements are required to implement these reforms.

To meet our compliance obligations and ensure that consumers can benefit from these reforms, we make a number of changes to our business systems and processes. These include ensuring our systems appropriately interface with the market and others, aligning our systems and processes to the change to the market design, and the existence of secondary settlement points and being ready to provide 'type 9' metering service for streetlights with in-built metering functionality (which we must provide on request to aggregate load customers).

Although the costs of implementing these reforms were not included in our 2021-26 regulatory determination, we will incur an additional \$14.8M (\$2025) in direct control costs. This is material. The cost impact in 2025-26 will reach 4.4% of our annual revenue requirement, well above the 1% threshold for a cost pass through. As the requirements of a service standard cost pass through event have been met, we propose to recover a positive pass through amount of \$1.2M (\$nominal) in 2026-27 prices.³

Costs we forecast to incur in the 2026-31 regulatory control period (next regulatory period) will be included in our revised regulatory proposal.

The remainder of this application is structured as follows:

- Section 2 provides a background, including a summary of the various changes being made to implement the FTA Reforms.
- Section 3 provides a summary of the impact the FTA Reforms have on JEN.
- Section 4 details the options we considered to respond to the FTA Reforms.
- Section 5 details the project to implement the FTA Reforms, including the system and business changes, implementation timeframes, how we have minimised costs and our cost forecast. We provide splits by standard and alternative control services, by regulatory year, regulatory control period and by capital expenditure, recurrent operating expenditure and non-recurrent operating expenditure.

¹ This includes reforms related specifically to the Victorian jurisdiction administered under an order in council.

² AEMO 2022, *Rule change request – Flexible Trading Arrangements (Model 2) and Minor Energy Flow Metering in the National Electricity Market*, p.i. Available: <https://www.aemc.gov.au/sites/default/files/2022-05/ERC0346%20Rule%20change%20request%20pending.pdf>.

³ While we present the cost pass through amount in \$nominal terms (as this is a revenue amount, consistent with AER convention) the remaining dollars presented in this application are shown on a consistent \$2025 basis, unless noted otherwise.

- Section 6 details how the cost pass through requirements have been met.

This application is supported by the following appendices:

- Appendix A provides a compliance checklist.
- Appendix B provides the expenditure build-up model for FTA.
- Appendix C provides the FTA Reform project role descriptions.
- Appendix D provides claims for confidentiality.
- Appendix E provides the Post Tax Revenue Models (PTRMs) for calculating the positive pass through amount.

Unless otherwise specified, all dollars in this application are presented on a \$2024-25 basis.

2. Background

2.1 The FTA Reforms

The Flexible Trading Arrangement Reforms (FTA Reforms) comprise a series of changes to the NER,⁴ Retail Market Procedures,⁵ Business-to-Business (B2B) procedures and Victorian Ministerial Orders. We outline these changes below.

2.1.1 Energy Security Board recommendations

The ESB's July 2021 final advice to Energy Ministers proposed the implementation of 'flexible trading arrangements' – policy reforms which enable the separation of controllable electrical resources⁶ (for example, electric vehicles, batteries, pool pumps, etc.) from passively connected electrical resources (for example, lighting and general appliances) in an end user's home or business.⁷ The ESB considered that this separation would enable customers to be rewarded for their flexible demand and/or generation while not making significant changes to their conventional energy usage.

The ESB recommended reform as it was concerned that customers could not easily engage with more than one energy service provider due to the requirements to establish a second connection point and costs associated with additional metering, connection and electrical work.⁸

The ESB recommended changes to introduce a new and modified connection arrangement where:

- energy flows to and from the distribution network continue to be metered at a single connection point; and
- sub-meters enable separate loads are settled separately in the wholesale market.⁹

In its final advice, the ESB recommended AEMO develop a rule change request to amend the NER as well as the National Energy Retail Rules (NERR).¹⁰

2.1.2 AEMC Rule Change

In May 2022, AEMO submitted a rule change to enable the implementation of flexible trading arrangements. As part of this proposal, AEMO included changes to enable the use of non-traditional metering installations for unmetered 'street furniture' connections such as streetlights, traffic lights, park barbeques and phone kiosks.¹¹

⁴ As well as changes to the NERR.

⁵ AEMO 2024, *Retail Electricity Market Procedures – Glossary and Framework*, Available: https://www.aemo.com.au/-/media/files/electricity/nem/retail_and_metering/market_settlement_and_transfer_solutions/2024/retail-electricity-market-procedures--glossary-and-framework-v43.pdf?rev=a5a06572d97945ed8154ba40e313d2bf&sc_lang=en.

⁶ Electricity load and generation.

⁷ AEMO 2022, *Rule change request – Flexible Trading Arrangements (Model 2) and Minor Energy Flow Metering in the National Electricity Market*, pp.39-40 Available: <https://www.aemc.gov.au/sites/default/files/2022-05/ERC0346%20Rule%20change%20request%20pending.pdf>.

⁸ Energy Security Board 2021, *Post-2025 Market Design Final advice to Energy Ministers Part B*, p. 86. Available: https://www.energy.gov.au/sites/default/files/2021-10/Post%202025%20Market%20Design%20Final%20Advice%20to%20Energy%20Ministers%20Part%20B_0.pdf.

⁹ Energy Security Board 2021, *Post-2025 Market Design Final advice to Energy Ministers Part C - Appendix*, p. 39. Available: https://www.energy.gov.au/sites/default/files/2021-10/Post%202025%20Market%20Design%20Final%20Advice%20to%20Energy%20Ministers%20Part%20C_0.pdf.

¹⁰ Energy Security Board 2021, *Post-2025 Market Design Final advice to Energy Ministers Part B*, p. 87. Available: https://www.energy.gov.au/sites/default/files/2021-10/Post%202025%20Market%20Design%20Final%20Advice%20to%20Energy%20Ministers%20Part%20B_0.pdf.

¹¹ AEMO 2022, *Rule change request – Flexible Trading Arrangements (Model 2) and Minor Energy Flow Metering in the National Electricity Market*, p.11 Available <https://www.aemc.gov.au/sites/default/files/2022-05/ERC0346%20Rule%20change%20request%20pending.pdf>.

The AEMC's final determination in August 2024 implemented flexible trading arrangements through the creation of 'secondary settlement points', which enable separate loads to be settled in market settlement systems.¹²

Only large customers will be able to engage multiple 'energy service providers' (the financial responsible market participant) for separate resources at a single premise. Secondary settlement points will be able to be installed at small customer premises; however, these customers will need to engage a single energy service provider who will manage the settlement of both resources on their behalf.¹³

The Rule Change introduced three new metering types:

- Type 8A – for use as either secondary settlement points (or primary connection points) at large customer premises.
- Type 8B – for use as a secondary settlement points at a small customer premise.
- Type 9 – meters for use as primary connection points for street lighting and street furniture.

Each of these meters can be an in-built or external device that meets specific requirements (which vary by type).

Implementing flexible trading arrangements requires changes to the Retail Market Procedures, including the Market Settlement and Transfer Solution (MSATS) Business-to-market (B2M) procedures, B2B procedures and AER Guidelines.¹⁴

The changes will be implemented in stages with two key implementation dates of 31 May 2026 for arrangements for type 9 meters and 1 November 2026 – arrangements for meter types 8A, 8B, secondary settlement points as well as changes to the NERR and retail contracts.¹⁵

The AEMC, when considering implementation of these reforms, recognised that changes to the procedures may take longer than initially envisaged, particularly with retail market and B2B procedures, to allow time for market trials and industry tests. AGL, for instance, noted that changing so many procedures and systems will require extensive time to undertake regression analysis to ensure that each change does not create a problem with another change to the process.¹⁶

Market participants also highlighted the timeframes and constraints driven by the number of industry reforms and the limited available resources.¹⁷

On 12 December 2024, AEMO identified that the rules unintentionally appear to prevent the creation of Secondary Settlement Points for premises with Victorian Advanced Metering Infrastructure installations.¹⁸ To overcome this issue, a supplementary rule change request was lodged.¹⁹

¹² AEMC 2024, *National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024*, p.31 Available: <https://www.aemc.gov.au/rule-changes/unlocking-CER-benefits-through-flexible-trading>.

¹³ AEMC 2024, *National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024*, Available: <https://www.aemc.gov.au/rule-changes/unlocking-CER-benefits-through-flexible-trading>.

¹⁴ In the AEMC's final rule determination for Flexible Trading Arrangements, the AEMC identify the AER's Network Exemption Guideline, Retail Exemption Guidelines, Better Bills Guideline, and Energy Made Easy and any other applicable regulatory instruments identified as guidelines that will require changes.

¹⁵ AEMC 2024, *National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024*, p.69 Available: <https://www.aemc.gov.au/rule-changes/unlocking-CER-benefits-through-flexible-trading>.

¹⁶ AGL 2024, *Rule Change Submission: ERC0346 – Draft Determination – Unlocking Consumer Energy Resources (CER) Benefits*, p.4 Available: <https://www.aemc.gov.au/sites/default/files/2024-04/Rule%20Change%20Submission%20-%20ERC0346%20Draft%20Determination%20-%20AGL%20-%2020240411.PDF>.

¹⁷ For instance, PLUS ES, AGL, Energy Queensland, Essential Energy and Origin Energy.

¹⁸ This is because AMI meters are designated as type 5 meters and secondary settlement points can only be established at premises with Type 1, 2, 3, 4, 8A or 9 metering installations.

¹⁹ AEMO 2024, *Electricity Rule Change Proposal, Refining the eligibility requirements for Secondary Settlement Points*, Available: <https://www.aemc.gov.au/rule-changes/refining-eligibility-requirements-secondary-settlement-points>.

2.1.3 Retail market procedures

Following pre-consultation, in April 2025, AEMO published an issues paper commencing the consultation to change the Retail Electricity Market Procedures to implement the new rules made by the AEMC. The final procedures were made on 30 September 2025.²⁰

As a registered market participant, JEN is required to comply with the retail market procedures and system requirements to allow customers to transact with the energy market. As a result, any changes developed by AEMO and imposed on all market participants will necessarily result in costs borne by JEN that it will incur to meet the new market obligations and ensure that our systems and processes align with this framework. The impact of these changes on our systems and processes is outlined in section 5.

2.1.4 B2B procedures

In July 2025, AEMO, on behalf of the Information Exchange Committee (IEC), commenced consultation to change the B2B procedures to support the implementation of flexible trading arrangements. The Service Order Process, One Way Notification Process, NEM RORL Processes, B2B Guideline and Customer Site Details Notification process are all expected to be amended.²¹

The Final Report and Determination are expected to be published on 10 December 2025.

2.1.5 Victorian specific arrangements

To give effect to the Flexible Trading Arrangements in Victoria, the Responsible Minister for the Electricity Industry Act 2000, is expected to revoke the existing ministerial order of 12 October 2017 Order²² and issue a new order.

Amongst other changes to give effect to the Flexible Trading Arrangements rule change in Victoria, Clause 5 of these orders are expected to introduce an obligation on JEN to provide type 9 metering. [REDACTED]

Note that JEN, as a distribution business, is a Local Network Service Provider (LNSP) under the NER. Accordingly, we expect that we will be required to deliver Type 9 metering services to aggregated load customers that connect to a public lighting asset. As outlined in section 5.5.2, this cost pass through application does not include costs to install type 9 meters.

²⁰ AEMO 2025, *Flexible Trading Arrangements, Final Report – Standard consultation for the National Electricity Market*, Available: https://www.aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2025/flexible-trading-arrangements/final-stage/2025-flexible-trading-arrangements-final-report.pdf?rev=5c52c7528f8343478485978f5cd34b71&sc_lang=en.

²¹ IEC, *Flexible Trading Arrangements B2B Procedures Consultation*, 7 July 2025. Available: https://www.aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2025/iec-flexible-trading-arrangements/issues-paper.pdf?rev=e0332f595c48447faa8053a9d56517a5&sc_lang=en.

²² Victoria Government Gazette No. S 346 Thursday 12 October 2017, Ministerial Order under section 16BA. Available: <https://www.gazette.vic.gov.au/gazette/Gazettes2017/GG2017S346.pdf>.

2.1.6 Inter-related initiative: Accelerating smart meter development

On 28 November 2024, the AEMC made a rule change to accelerate smart meter deployment.²³ The rule change aims to accelerate the deployment of smart meters to consumers, enabling them to access the benefits that smart meters can provide sooner.

This rule will also enable Distribution Network Service Providers (DNSPs) to access basic Power Quality Data (PQD) recorded by smart meters, allowing them to manage their networks better and reduce network costs for customers. Basic PQD refers to measurements of voltage, current, and phase angle. The proposed basic PQD access and exchange arrangements under this rule (the basic PQD arrangements) aim to promote better outcomes for consumers and the broader energy system by:

- Improving standardisation in the structure, types, sequencing, and frequency of basic PQD provided across market participants.
- Reducing differences in exchange architectures or methods for basic PQD access.
- Addressing a potential lack of competitive pricing where basic PQD is required from a high percentage of sites.
- The basic PQD arrangements will apply to all small customer meters from 1 July 2026.

This rule introduces a new obligation on Metering Coordinators (MCs) or Metering Providers (MPs) to collect and deliver basic PQD to DNSPs, and where relevant, AEMO and the AER. This represents significant volumes of data. The AEMO is required to create basic PQD procedures and standardise the exchange architecture for MCs to deliver basic PQD service to DNSPs.

This cost pass through application does not include costs associated with ingesting basic PQD or any other additional costs related to the accelerating smart meter deployment rule change.

2.2 Customer importance

The AEMC considered that the FTA Reforms are an important enabler of the National Consumer Energy Resources (CER) Roadmap. The FTA Reforms are intended to be a series of incremental changes that, together with other changes, will unlock substantial benefits for consumers. In particular, the AEMC considers that the rules will enable:²⁴

- Large customers to engage multiple energy service providers to manage and obtain more value from their CER.
- Energy service providers for small and larger customers to separate and manage flexible CER from passive loads in the energy market, which is intended to lead to innovative products and services for consumers.
- Market participants to use the in-built measurement capacity in technologies such as electric vehicle chargers and streetlights to enable innovative and essential products and services at a lower cost.

²³ AEMC 2024, *Rule Determination National Electricity Amendment (Accelerating Smart Meter Deployment) Rule*, Available: <https://www.aemc.gov.au/sites/default/files/2024-11/Final%20rule%20A0determination%20A0%20271124%20%28For%20publication%29.pdf>.

²⁴ AEMO 2022, *Rule change request – Flexible Trading Arrangements (Model 2) and Minor Energy Flow Metering in the National Electricity Market*, p.i Available: <https://www.aemc.gov.au/sites/default/files/2022-05/ERC0346%20Rule%20change%20request%20pending.pdf>

3. Impact of FTA Reforms on JEN

3.1 JEN's role following the introduction of FTA

With the introduction of FTA our role will be to:

- Continue to meet our obligations as an LNSP under the NER, retail market procedures and B2B procedures. This requires changes to ensure our systems can continue to communicate with the market and other businesses, that our systems maintain aligned with the current market structure (for example, recognise that secondary settlement points exist and know where they are located) and that our business and operational processes are updated to reflect these changes.
- Continue to provide a type 7 metering service for streetlights and street furniture.²⁵
- Be ready to, and when requested by an aggregated load customer to, provide a type 9 metering service for street lighting. This will require ensuring that we have the systems and processes in place to undertake the roles of Metering Coordinator (MC), Metering Provider (MP) and Metering Data Provider (MDP).

3.2 What JEN needs to do to implement FTA Reforms

JEN must make changes to its metrology procedures, business processes and ICT to remain compliant. This will enable JEN to play its role in empowering customers to adopt CER technologies and ensuring customers can benefit from the FTA Reforms and are not disadvantaged during the transition.

As noted in 2.1.2, the amendments to the NER and NERR will be implemented in two key stages:

- 31 May 2026 - Arrangements related to in-built metering at primary connection points in technology such as streetlights and EV chargers (meter type 9).
- 1 November 2026 - Arrangements related to meter types 8A (large customers) and 8B (small customers), secondary settlement points, and changes to the NERR and retail contracts.

Given the complexity and short timeframes to implement these changes, we commenced planning based on the High-Level Impact Assessment (HLIA)²⁶ prepared by AEMO, which summarises the scope of changes required for the FTA program for the various participant types operating in the NEM.

For JEN, we must implement a series of system and business process changes including:

- Integration of Type 8 metering for secondary settlement points (SSPs) and type 9 metering for public lighting and street furniture (for example, EV chargers, smart lighting).
- Handling energy flows from previously unmetered supply points (for example, EV chargers, streetlights).
- Support for subtractive metering and multiple Financially Responsible Market Participants (FRMPs) at a single site.
- Alignment with updated AEMO procedures, including metrology, service level, and standing data specifications
- Data Exchange and Schema Change implementation:
- Updates to MSATS (Market Settlements and Transfer Solutions) procedures and schema to accommodate new metering types and SSPs.

²⁵ JEN provides Street Lighting (Type 7) metering as an Alternative Control Service (ACS).

²⁶ AEMO 2024, *Flexible Trading Arrangements: Final Determination High Level Implementation Assessment*. Available: https://www.aemo.com.au/-/media/files/initiatives/unlocking-cer-benefits-through-flexible-trading/flexible-trading-arrangements---final-high-level-implementation-assessment-v10.pdf?rev=51822745504042429694ffc78433b5b6&sc_lang=en.

- Enhanced APIs and data models for real-time energy data sharing.

A gap analysis to determine the impact and required changes to existing JEN systems and processes has been undertaken based on the requirements identified through the Industry Working Groups, associated consultation processes and multiple JEN workshops. These are described in further detail in sections 5.1 and 5.2.

4. Options

We considered four options to respond to the FTA Reforms and the need to change our business and system processes:

1. Do not make changes to comply with FTA Reforms
2. Process changes, tactical workarounds
3. Implement required system and process changes
4. Implement new network communications

4.1 Option 1 - Do not comply with the FTA Reforms

Failure to address this regulatory change would result in non-compliance with the FTA rule change and limit JEN's ability to take part in the reformed NEM. This would create extreme risk for JEN and our customers, therefore the option of not addressing the FTA rule changes is not a credible option and has not been considered.

4.2 Option 2 - Process changes, tactical work arounds

4.2.1 Description

This option would involve implementing physical process change and 'work arounds' (likely requiring additional resources) to avoid changes to impacted systems.

4.2.2 Benefits

The only advantage with this option is that there would be minimal system changes and JEN would avoid incurring the system-related investment costs.

4.2.3 Risks

Market data transmissions are high volume, 2-way transactions with complex business rules that occur through internal and external (AEMO Hub) interfaces. Due to the nature, criticality and volume of the data involved and the market requirements for capturing and transacting this data, it is considered that neither increased labour resources nor modification of business processes can provide a credible solution to address the FTA rule change.

Accordingly, the absence of system changes to support JEN's implementation of the FTA rules change, JEN would be non-compliant.

4.2.4 Costs

This option would not allow JEN to comply with FTA rule change and so has not been costed.

4.2.5 Summary

This option is not recommended as the risks associated with non-compliance are not acceptable to JEN and our customers.

4.3 Option 3 – Implement required system and process changes

4.3.1 Description

This option involves implementing changes to JEN's systems and processes to ensure compliance with the FTA Reforms, including the introduction of the newly introduced metering types into our metering ecosystem. This option will ensure we remain compliant with the stipulated market-wide implementation timeline and will ensure JEN's overall market-readiness in supporting our customers and external participants who will interact with JEN.

This option will implement:

- System changes to introduce the required capability to JEN systems (refer to section 5.1) that support impacted market transactions and procedures, for example, schema changes for B2M and B2B transactions, changes or updates to our standing data repositories and enhancements to our market interfacing systems.
- Existing customer care, asset management, metering, network operations, connections and billing processes, procedures, and templates will need to be updated and embedded with training and communications to accommodate the new Type 8 and Type 9 meter requirements.

The overall objective of this option is to minimise the cost and risks by working within JEN's existing technologies. Where that is not possible, such as with the introduction of Type 9 metering, JEN has undertaken a Request for Information (RFI) process to undertake a capability assessment of smart street lighting solutions in the industry.

4.3.2 Benefits

This option will ensure JEN is compliant with the FTA rule change. Furthermore, having focused on both system and process changes, both small and large customers will benefit from JEN's ability to enable flexible trading. Large customers will be able to establish SSP and engage multiple energy service providers to manage flexible resources at these points. Small customers and their agents (i.e. retailers and aggregators) will be able to identify and manage flexible CER (at SSP) separate from inflexible or passive energy use.

4.3.3 Risks

A risk that could arise is the impact of other, additional initiatives that JEN may be required to implement concurrently based on what is proposed by AEMO and as outlined in AEMO's roadmap. Whilst this feedback has been shared with AEMO by industry participants, JEN will continue to work closely with AEMO to discuss and mitigate this risk.

4.3.4 Costs

Including the expenditure already incurred to comply, this option would cost \$24M across both the 2021-26 regulatory control period (current regulatory period) and the 2026-31 regulatory control period (next regulatory period). This constitutes a material increase in cost to JEN and forms the basis of this business case.

The project would cost \$14.4M in the current regulatory period, with the remaining cost of JEN's FTA Reform project \$9.7M, to be incurred in the next regulatory period. Of this, \$1.1M is for incremental (step) operating expenditure required to cover additional licensing and full-time equivalent (FTE) staffing.²⁷

The capital expenditure is required to complete the required system and process changes associated with FTA Reforms. The project operating expenditure will be used for associated change management and training, and the step operating expenditure will be used for ongoing incremental licensing and/or additional support required.

²⁷ Funding in the next regulatory period is not a part of this application.

4.3.5 Summary

This is our recommended option as it is the lowest cost approach to maintaining compliance. This option also ensures that customers will be able to realise the benefits of the FTA Reforms that the AEMC anticipates.

4.4 Option 4 – Implement new network communications

4.4.1 Description

This option is similar to Option 3; however, it involves identifying, assessing and implementing a unique end-to-end technology solution to enable JEN to deliver Type 9 metering. This approach would involve not only a change to the current digital systems but also replacing the communications infrastructure and meter hardware (these changes would be required due to the proprietary nature of the existing communications protocols).

4.4.2 Benefits

By introducing new network communications and meter infrastructure, JEN would reduce the current supply chain risks associated with reliance on a single network management solution and the two metering vendors. This would increase the potential for new innovative products and introduce additional competitive tension across the vendors.

4.4.3 Risks

Implementation of a new Type 9 digital solution and communications infrastructure would introduce significant deliverability risk not only in meeting required timeframes but also in ensuring meter-to-market availability and reliability SLAs are met.

There would be significant changes to business processes and procedures driven by the new systems and technologies, as well as additional support capacity implications due to having two separate communications infrastructures.

4.4.4 Costs

This option would be cost prohibitive and given the scale of change, would not allow JEN to comply with FTA rule change; as a result, this option has not been costed but would be significantly more than JEN's preferred option.

4.4.5 Summary

Given the cost and risk involved, this option is not recommended.

4.5 Recommended option

Option 3 is recommended as it provides the lowest cost approach to complying with the FTA Reforms, which required that we substantially vary how we provide services.

This option also, reflects good industry practice, ensures that our systems and processes are considered fit for purpose and scalable to accommodate FTA, has the lowest implementation risk (as it builds on the known capabilities of existing systems, and assumes the incumbent vendors) provides the highest level of confidence in meeting the compliance timeframes (given that JEN is dealing with incremental change to an existing IT environment).

We note that EMCa, based on our earlier investment brief and following discussions, also considered that our preferred option is the only realistic option.²⁸

Table 4–1: Option summary table, (\$m, 2024-25)

Option	Capex	Opex	Totex	Risk
Option 1	N/A	N/A	N/A	This option would result in non-compliance, which would significantly risk JEN's ability to participate in the NEM.
Option 2	N/A	N/A	N/A	This option would risk non-compliance, as neither increased resources nor a significant modification of business processes would provide a credible solution to addressing the FTA rule change.
Option 3	21.4	2.6	24	This option would result in the risk of not meeting the implementation dates in May and November 2026, as well as a risk of impacting the delivery of other initiatives that JEN may be required to implement concurrently.
Option 4	N/A	N/A	N/A	This option would result in significant deliverability risk.

Note: includes capital and operating expenditure over the current and next regulatory periods.

²⁸ EMCa 2025, *Review of Proposed expenditure on ICT and CER*, p.45. Available: https://www.aer.gov.au/system/files/2025-09/EMCa%20-%20Review%20of%20proposed%20expenditure%20on%20ICT%20and%20CER%20-%20Jemena%202026-31%20regulatory%20proposal%20-%20August%202025_0.pdf.

5. Recommended option

This section outlines the system and business process changes required to implement the changes to comply with the FTA Reforms.

5.1 JEN IT Systems changes

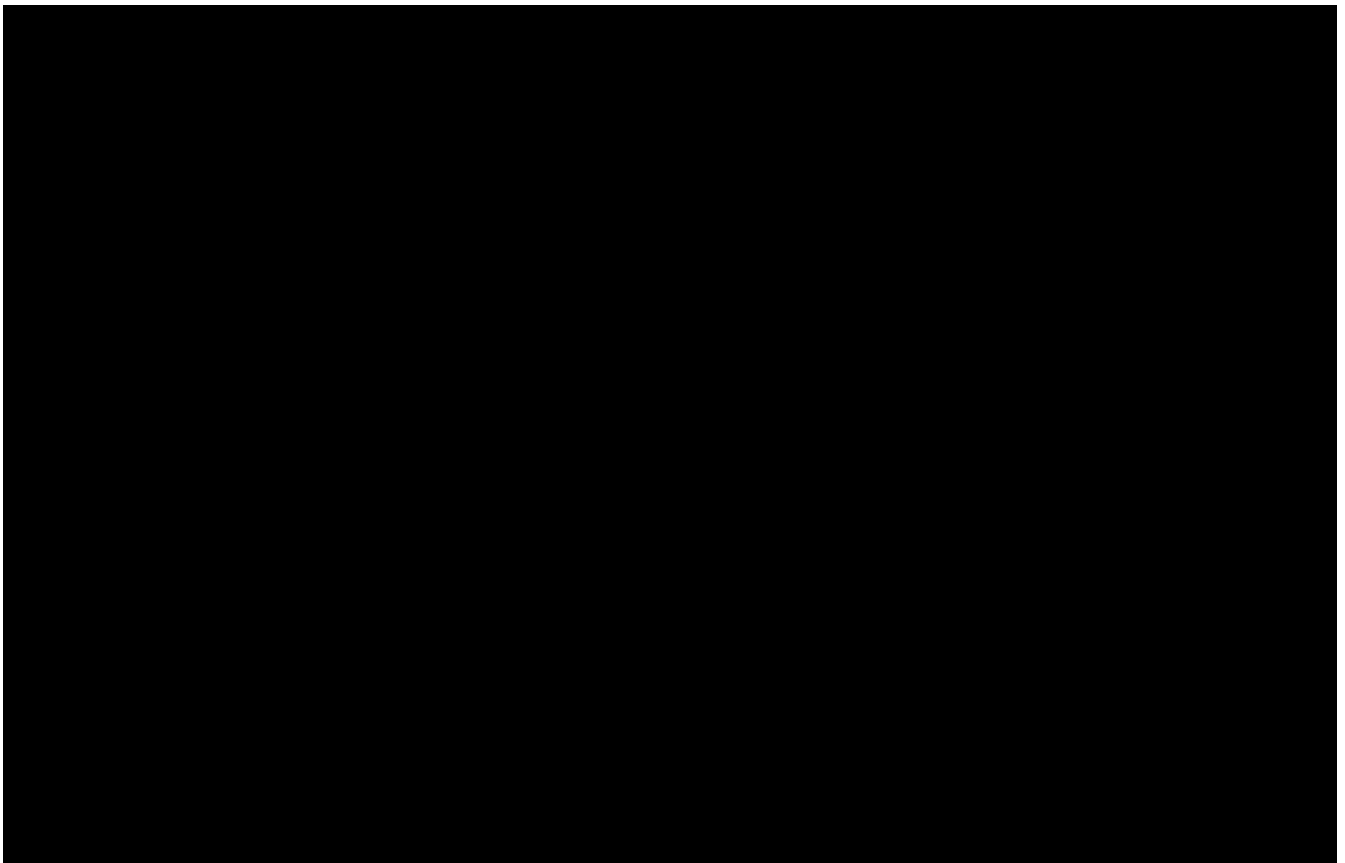
In order to comply with the FTA Reforms, JEN's existing IT systems will need to be amended.

A diagrammatic overview of the changes to the JEN IT environment are summarised in Figure 5-1 below. The impact on each system has been rated high, medium, and low based on the degree of change, the associated effort, and the risk of achieving successful implementation within the required timeframes.

The systems that will require updates to ensure compliance with the rule changes are primarily those involved in the meter-to-cash journey; it is not anticipated that the Real Time Systems will be impacted, and there is a small impact to the customer-facing systems (for example, Electricity Distribution Portal).

All of these systems, other than UIQ, are deployed to provide standard control services, that is, to maintain market compliance (see below for an explanation of service classification).

Figure 5-1 System Impact



The key system impacts that will be addressed are summarised below.

Table 5-1: System impacts

[illegible]

²⁹ We note that MSI will be replaced as part of MITE. Accordingly, the system changes we are making (discussed further in section 5.1) are the minimum required to ensure compliance with the FTA Reforms (which commence before MITE).

5.1.1 Type 8 system changes

Based on an assessment of the procedural changes, the Type 8 metering related system changes will address the following:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

5.1.2 Type 9 system changes

Based on an assessment of the procedural changes, the Type 9 metering related system changes will address the following:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
 - [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
 - [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
 - [REDACTED]
- [REDACTED]
- [REDACTED]
 - [REDACTED]
- [REDACTED]
 - [REDACTED]
- [REDACTED]
 - [REDACTED]

5.1.3 System change summary

Overall, changes to JEN systems necessary to comply with the FTA Reforms include:

- Development of existing in-house and vendor-supplied modules to accommodate new functionality
- Integration between systems and to new meter devices
- Increased storage capacity in central metering systems to accommodate the increasing volume of data
- Cyber security protocols and patterns

Of particular importance, given the degree of integration of the systems, is the testing that will be required to ensure the accurate reception, storage and management of third party data to ensure ongoing visibility of CER in the JEN distribution network, as well as delivery of high-quality data for the end to end process from meter data collection in the field through to the provision of data to industry participants.

5.2 JEN Business process changes

JEN conducted numerous workshops with over 40 business stakeholders to identify business impacts resulting from the FTA Reforms. This was an iterative process over 4 weeks that ensured all people, processes and key business activities that must be addressed for business readiness are in scope.

A summary of the impacted business areas is depicted in Table 5–2 below.

Table 5–2: Impact of FTA Reforms on JEN business process

Business Focus Areas	Description of Focus Area	Overall Impact	Summary of Impacts
Customers	The overall customer experience, covering the customer interactions and engagement across JEN. Includes management of key accounts, handling of enquiries, complaints and claims.	HIGH	Uplift in existing capabilities and ownership processes to support service provision for the Type 9 metering customers.
Asset Management	The asset lifecycle management for creation, maintenance and operation of streetlights and meters, including meter testing, inspection and replacement.	VERY HIGH	New complex processes for Type 9 meter testing that require new capabilities and an uplift in existing processes for the new asset types.
Network	The network design, planning and management of the JEN network	LOW	Update processes to incorporate Type 9 metering data into the network planning
Connections	The processes for providing supply and new metering connections, including customer-initiated connection requests, offering and acceptance of works from customers.	VERY HIGH	Establish three new processes for connections for Type 9, with a new scope of services for supporting process and exception handling; this will require significant training of new capabilities.
Field Operations (incl. Faults)	The creation, dispatch to completion of metering connections, planned and fault works.	MEDIUM	Update existing processes to incorporate the new metering types and related activities.
Metering	Meter data receipt, processing and publishing processes; meter material management and procurement.	VERY HIGH	Strengthen existing processes and capabilities to support Type 9 meter data consumption; process updates for meter procurement.
Market Interactions	The core system interactions between JEN and market systems.	HIGH	Incorporate all impacted market systems and procedures with the new market interactions standards.
Billing and Invoicing	The processes for processing, calculating and invoicing via network bill or directly to the customer.	MEDIUM	Incorporate the new metering types into the billing and invoicing processes.

5.2.1 Business process change summary

The Asset Management, Connections and Metering business areas have been identified as areas with very high impacts which will require changes to systems, processes, operating procedures, strengthening of current capabilities and training:

- Asset Management – will introduce new asset testing, inspection and maintenance on Type 9 meters. This would require new field operations skills, purchase testing equipment and processes to support meter testing and sampling. More specifically:
 - Introduce new asset types and classes to support the Meter Asset/Investment Management Plans
 - Review of the asset refurbishment and retirement to incorporate the transitions between public light metering and sensors
 - Review the maintenance strategy to account for the impact on the cost of accreditation, specifications, and lifecycle obligations
 - Review of the financial asset treatment for asset scrapping
 - Review of the financial accounting treatment and system for the equipment of the assets for Public Lighting
 - Update the existing financial accounting report to support the Type 9 meter asset
 - Strengthen safety policies, processes, and training to support testing and field operations
 - Review the current audit and lifecycle management process to incorporate the Type 9 metering equipment
 - Establish new field operations skills, purchase testing equipment and processes to support sample meter testing for Type 9 public lighting.
- Connections – will introduce new connection and transition processes with clear use controls and ownerships, that require uplift capabilities to support external and internal MDPs. The Customer Initiated Construction (CIC) process will incorporate metering considerations to be assessed and included in the customer offers to Local Councils and the Victorian Department of Transport & Planning. Additional CIC and Connections requirements and processes will also be introduced. More specifically:
 - Update the connection application and negotiated offer process to include new metering type options, pricing and timeframes
 - Update the people process, knowledge, instructions, and training for the new application process
 - Adopt the equivalent connection processes (for example, Type 5 AMI) to support the Type 9 connections
 - Upskill teams' capability to understand the nuance between the street furniture metering options; NCONUML, Type 5 AMI and Type 9
 - The New Connection setup for NCONUML Street Furniture will remain manual with minimal impacts
 - Uplift current capability and understanding in the teams to support the multiple metering options; external and internal MDPs
 - Establish a new process and capability to manage CMS, with delineation of clear roles and responsibilities based on the access controls defined
 - Establish a new abolishment process for Type 9 Public Lighting – with clear delineation of the abolishment for multiple lights, the NMI turnover and the new field crew visitations

- Metering - will need team capacity and skills uplift to support the Type 9 metering procurement, maintenance and processing of Type 9 meter reads. More specifically:
 - Strengthen current processes and capabilities to support the Type 9 metering consumption requirements
 - Update existing substitution process to include the Type 9 rules
 - Update the existing meter procurement process to include Type 9 CMS to meter procurement and maintenance process
 - Update existing process to include Type 9 CMS to meter process

Furthermore, Customer care and Market interactions will be highly impacted by the FTA Reforms:

- Customer care: The overall customer experience, covering customers' interactions and engagement. Further considerations will be introduced in complaints and queries handling, including capturing and processing public lighting faults reporting. More specifically:
 - A review of the public lighting/large customers account management, contractual agreements, tracking and reporting
 - A review of the current customer contracts and access protocols
 - Define new ownership and processes during outages related to the Type 9 metering
 - Capability uplift, training and work instructions to educate on the new processes and functionalities associated with Type 9
- Market interactions: integrate impacted market procedures with new market interactions and standards, and implement new exception-handling processes required for incomplete or failed transactions

5.3 Implementation timing

In alignment with the FTA Rule Change key dates, JEN will comply with the following two key releases:

Release 1: 31st May 2026

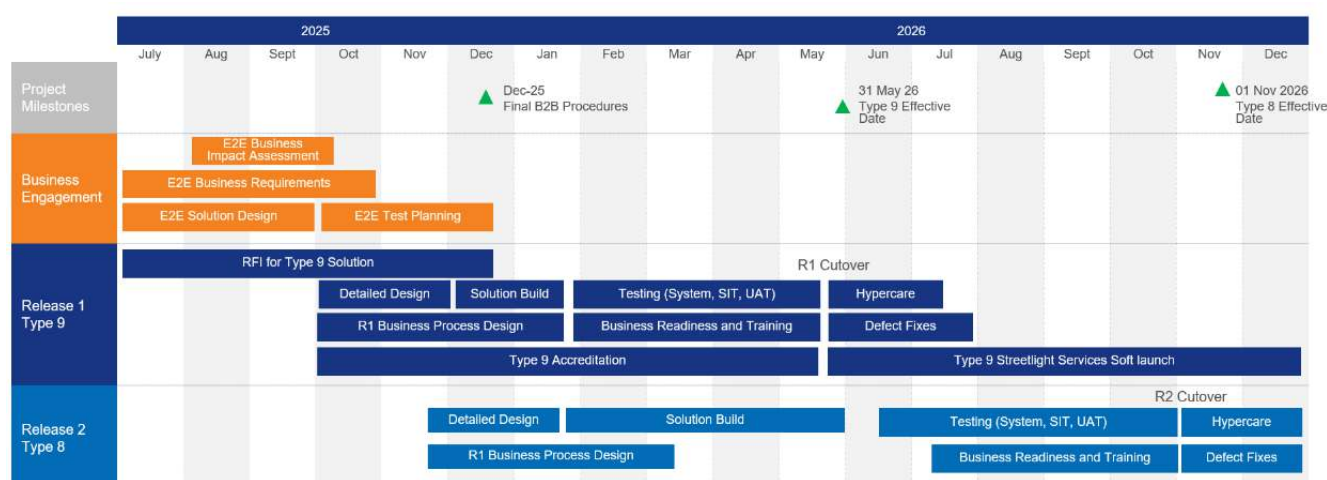
- System and Process changes to support Type 9 metering for measuring energy flows for:
 - street lighting, including Central Management systems.
 - street furniture (for example, bus shelters, Communication cabinets, BBQs), noting that specifications are lower than Type 4 small customer metering installation (Type 5 AMI in VIC).
- Accreditation for Type 9 meters
- RFI for product selection of Type 9 Metering
- Soft launch for Type 9 metering, utilising the JEN productionised systems and processes, during the second half of 2026. Based on customer requests, the initial JEN activation of the service will be an agreed set of streetlights in the field to validate the end-to-end process.

Release 2: 1st November 2026

- System and Process changes to support Type 8 metering, including the ability to receive and store consumption data from the Meter Data Provider.

JEN's FTA Reform project timing is aligned to the FTA Reforms effective dates and the associated industry testing timelines, as depicted in Figure 5–4 below.

Figure 5–4: Project timing



5.4 How costs have been forecast

JEN has estimated the costs of implementing all system and business process changes required using a bottom-up cost forecast. Appendix A1 contains the expenditure forecast model for the costs associated with the FTA Reforms. The expenditure forecast represents JEN's best estimates of the FTA Reform project based on the available information and planning to date.

Given the scope of the FTA Reform project and the niche technical skills it demands, it is not feasible to rely solely on existing internal resources to deliver the required changes without impacting business-as-usual operations. Therefore, backfilling existing roles and/or engaging external contractors will be necessary to ensure both project delivery and continuity of core business functions.

JEN applied daily labour rates to the required resources to derive a total cost estimate. The daily labour rates are market-tested, reviewed regularly, and reflect the typical costs of hiring staff with the required skill sets. These labour rates are consistent with the approach adopted in JEN's Victorian Emergency Backstop Mechanism cost pass through application, lodged on 7 June 2024, which the AER had reviewed and accepted as efficient and prudent.³⁰ Appendix C1 contains a role description of each resource that is forecast to be required in delivering JEN's FTA Reform project.

JEN has conducted an RFI to determine the new smart street lighting solution required to manage type 9 meter data. Our bottom-up costs are based on a combination of analogous historic metering projects as well the extra integration costs anticipated for more than one vendor solution.

We have included assurance costs to provide an independent, objective ongoing evaluation of the project's processes, governance, risks, and performance. Its purpose is to ensure the project is on track to meet its objectives, deliver value, and comply with FTA Reforms. This is based on indicative pricing discussions with an external vendor to provide assurance.

Over the coming years, there is a significant pipeline of work to deliver reform and related CER projects (referred to within JEN as 'Future Networks'). The scale of this work is unprecedented in terms of investment, interdependencies and complexity. The FTA program will be supported by the wider JEN program known as the Reform and Future Networks (RAFN) Program that has been established to take a strategic and holistic approach to delivering on this complex pipeline of work and manage associated risks.

³⁰ AER Determination - Jemena VEBM cost pass through - 20 September 2024. Available: <https://www.aer.gov.au/system/files/2024-09/AER%20Determination%20-%20Jemena%20VEBM%20cost%20pass%20through%20-%202020%20September%202024.pdf>.

For the FTA capabilities uplift, JEN expects to incur new (not included in JEN base for the purposes of calculating the next regulatory period operating expenditure allowance) license costs for the smart street lighting solution. Therefore, annual licensing has been included based on early indications from vendor discussions.

We have included the step operating expenditure for additional FTE to support ongoing FTA Reform-related services as outlined in Appendix C2. We have assumed annual salaries per the Hays Salary Guide.³¹

5.5 How we have minimised our costs

5.5.1 External support to validate key cost drivers

JEN has engaged external resources to support the project during the current planning phase to help ensure the FTA Reform project adequately covers the business and system changes required to be compliant with the FTA Reform requirements, as outlined in section 2.1. Several workshops were held with relevant technical and business stakeholders to understand the system and business impacts, and to align on the key changes required to be compliant.

The consultancy supported the development of the project team structure and resourcing needed to implement the required changes. JEN then determined the necessary technical changes required for each relevant system (outlined in section 5.1) and associated business process changes (section 5.2). Then, based on this information, JEN estimated the number of FTE resources with the necessary skill set and the time effort required to perform each identified task in accordance with good industry practice.

JEN has invested considerable time and resources in conducting thorough due diligence, including an RFI during planning to inform the adoption of a new CMS system required to support Type 9 meters. This helps inform implementation costs and longer-term maintenance costs while ensuring the selected solution delivers appropriate functionality and aligns with project delivery and compliance requirements.

5.5.2 Costs that JEN has avoided or absorbed

To mitigate our costs, we note the following:

- For customer-specific costs, we exclude them from this cost pass-through application and instead seek to recover these costs from the requesting customer only. That is, we do not seek to share the costs as part of this application. For example, Type 9 public lighting metering services are recovered from the requesting customer rather than all customers.
- Where JEN has multiple market roles, we avoid creating capabilities where we would transact with ourselves. For example, building capabilities to transaction Basic Power Quality data sent from the MDP to the LNSP is avoided where we play both roles; we already have the data in our back-end systems, and there is no need to push it through market systems.
- When we receive meter data from a secondary settlement point, we do not transact it any further to other market participants or customers. This is not an obligation for LNSPs, which is why we do not process it any further.
- We package all of the FTA Reforms into one program of work to streamline the capability development costs.

Further, as we note in section 6, we are not seeking to recover costs related to alternative control services in this application.

³¹ Hays Salary Guide, Australia and New Zealand, FY24/25

5.6 Actual and likely increase in costs

The actual and likely increase in direct control costs we expect to incur as a result of the FTA Reforms is \$24M. This is made up of standard control and alternative control costs and will be incurred across the current regulatory period and the next regulatory period.

JEN's whole-of-life standard and alternative control cost estimate for the FTA Reform project, split across two regulatory control periods, is set out in Table 5–3 and Table 5–4 below.

Table 5–3: incremental standard control service costs to implement the FTA Reform project (\$m, 2024-25)

	Current regulatory period			Next regulatory period			
	RY25	RY26	RY27	RY28	RY29	RY30	RY31
Total Capex	0.6	12.6	8.2	-	-	-	-
Non-recurrent Opex	0.1	1	0.4	-	-	-	-
Recurrent-step Opex	-	-	0.1	0.2	0.2	0.2	0.3
Total Opex	0.1	1	0.5	0.2	0.2	0.2	0.3
Totex	0.7	13.6	8.7	0.2	0.2	0.2	0.3

Note: Numbers may not align due to rounding. Refer to the accompanying model for the detailed calculations.

Table 5–4: Incremental alternative control service costs to implement the FTA Reform project (\$m, 2024-25)

	Current regulatory period		Next regulatory period				
	RY25	RY26	RY27	RY28	RY29	RY30	RY31
Total Capex	-	0.4	0.03	-	-	-	-
Non-recurrent Opex	-	-	-	-	-	-	-
Recurrent-step Opex	-	-	-	-	-	-	-
Total Opex	-	-	-	-	-	-	-
Totex	-	0.4	0.03	-	-	-	-

Note: Numbers may not add up due to rounding. Refer to the accompanying model for the detailed calculations.

The costs incurred in each regulatory period are presented in Table 5–5 and Table 5–6 below. This cost pass through application seeks to recover the costs incurred in the current regulatory period.

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 \$8.2M, non-recurrent operating expenditure of \$0.4M and a step operating expenditure is \$1.1M (for incremental (step) operating expenditure required to cover additional licensing and full-time equivalent employees).

Table 5–5: Summary of standard control Service costs in implementing the FTA Reform project (\$m, 2024-25)

	Current Regulatory Period	Next Regulatory Period	Total
Non-recurrent capex	13.3	8.2	21.4
Non-recurrent opex	1.1	0.4	1.5
Recurrent step opex	-	1.1	1.1
Totex	14.4	9.7	24

Table 5–6: Summary of alternative control service costs in implementing the FTA Reform project (\$m, 2024-25)

	Current Regulatory Period	Next Regulatory Period	Total
Non-recurrent capex	0.4	0.03	0.5
Non-recurrent opex	-	-	-
Recurrent step opex	-	-	-
Totex	0.4	0.03	0.5

Our cost estimates are reasonable

We note that EMCa, based on our earlier investment brief and following discussions, found that our earlier estimate of \$22M in capital expenditure was a reasonable placeholder. EMCa noted that our ongoing operating expenditure forecast of \$1M was high.³²

We have since produced a more detailed cost build-up. Our capital expenditure estimate is very close to our initial estimate, coming in at \$21.9M across both standard and alternative control services. Our operating expenditure forecast is materially lower now at \$0.1M - \$0.3M per year.

Allocating costs to standard and alternative control services

We noted EMCa's concern regarding the allocation of costs to standard control services, given that the objective is to address the need to manage new data from new meter types and new metering arrangements. EMCa considered that these costs had the appearance of being largely related to our alternative control metering services.³³

While the FTA Reforms are primarily about introducing new metering arrangements, as outlined in section 2.1.2, the implications are broader. This is because those changes result in changes to how we interact with the market and other businesses (through the retail market and B2B procedures) and require our systems to be amended to ensure that they align with changes to the market structure. Our systems and business processes need to be amended to reflect that secondary settlement points exist.

We note that most of the modified systems shown by Figure 5-1, for example, webMethods Gateway, SAP ERP, SAP HANA, GIS, etc., are systems required to provide standard control services. Specifically, the common distribution service, which includes “establishment and maintenance of National Metering Identifiers (NMI)s in market and/or network billing systems, and other market and regulatory obligations”³⁴ along with supporting “the planning, design, repair, maintenance, construction, and operation of the distribution network”.

³² EMCa 2025, *Review of Proposed expenditure on ICT and CER*, p.46. Available: https://www.aer.gov.au/system/files/2025-09/EMCa%20-%20Review%20of%20proposed%20expenditure%20on%20ICT%20and%20CER%20-%20Jemena%202026-31%20regulatory%20proposal%20-%20August%202025_0.pdf.

³³ EMCa 2025, *Review of Proposed expenditure on ICT and CER*, p.46. Available: https://www.aer.gov.au/system/files/2025-09/EMCa%20-%20Review%20of%20proposed%20expenditure%20on%20ICT%20and%20CER%20-%20Jemena%202026-31%20regulatory%20proposal%20-%20August%202025_0.pdf.

³⁴ AER 2025, Draft decision – AusNet Services, Jemena, CitiPower, Powercor and United energy distribution determinations, *Attachment 11 - Service classification*, p. 8 available: <https://www.aer.gov.au/system/files/2025-09/AER%20->

The exception is UIQ, which manages meter devices. We consider that this system forms part of the administration and management of metering installations and should be defined as alternative control services.

In preparing a more detailed cost estimate, we have identified specific ACS costs as set out in Table 5–4 and Table 5–6 above. For instance, these costs include the changes required to our UIQ system, which manages our meters and devices.

%20Attachment%2011%20-%20Service%20classification%20-%20Draft%20decision%20-%20AusNet%20Services%2C%20Jemena%2C%20CitiPower%2C%20Powercor%20and%20United%20Energy%20distribution%20determinations%202026-31%20-%20September%202025_1.pdf. This definition component is unchanged from the 2021-26 distribution determination.

6. Regulatory requirements

This section first establishes that this cost pass through application meets the regulatory requirements set out in the NER. Specifically,

- the FTA Reforms meet the definition of service standard event and positive change event,
- this application has been submitted within the required timeframes.

Second, we set out the eligible cost pass through amount and how we have determined the positive pass through amount we propose to pass through.

6.1 Relevant regulatory requirements

6.1.1 Service standard event

A service standard pass through event is defined as:³⁵

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.

Below we set out how the FTA Reforms meet limb (a) and (b) of the definition above.

Limb (a) – the effect of a legislative or administrative act of decision

As outlined in Section 2, the FTA Reforms collectively³⁶ make several changes, including modifying JEN's role as an LNSP, requiring changes to how JEN interacts with market systems, customers and other service providers, as well as introducing an obligation to provide Type 9 metering services. Accordingly, the FTA Reforms:

- Substantially vary how we are required to provide direct control services – for example, the reforms vary how we are required to interact with market and other businesses' systems in accordance with the Retail Market Procedures and B2B procedures.
- Alter the nature of scope of the direct control services we provide – for example, the reforms introduce the requirement for us to provide a new Type 9 metering service and amend our existing business systems and processes to align with the changes to the market structure. This is to ensure that we can continue to meet

³⁵ NER, Chapter 10.

³⁶ As noted in section 2, the FTA Reforms are comprised of Rule Changes a series of changes to the NER, NERR, Retail Market Procedures, Business-to-Business (B2B) procedures and Victorian Ministerial Orders.

our obligations to provide safe and reliable services (for example, so we have operational visibility of which connections have secondary settlement points).

We note that the FTA Reforms encompass not only two NER changes but consequential changes to the retail market and B2B procedures as well as Victorian Ministerial Orders for the reforms to be implemented. We consider that these changes collectively form a single cost pass through event. This is consistent with previous AER consideration around policy reforms, which involve changes to several elements of the national regulatory framework, as outlined in Table 6–1 below.

Table 6–1: Relevant AER precedent on cost pass through events encompassing changes to multiple regulatory instruments.

Cost pass through event	Detail
2024 Victorian Emergency Backstop Mechanism	Implemented through two minister orders which together introduce new minimum service standards for embedded generating units. ³⁷
2019 Power of Choice Reforms	Implementation of the Power of Choice reforms to the NER and the resultant changes to the market procedures administered by AEMO. ³⁸
2012 ActewAGL's implementation of the National Energy Customer Framework	Implemented through the National Energy Retail Law (ACT) Act 2012 and National Energy Retail Law (ACT) Regulation 2012. ³⁹

We also note that the FTA Reforms are implemented in stages with two key commencement dates with the first (31 May 2026) being within the current 1 July 2021 to 30 June 2026 regulatory period and the second (1 November 2026) occurring in the next 1 July 2026 to 30 June 2031 regulatory period.

While the second commencement date is in the next regulatory period, we consider that FTA Reforms have the effect of substantially varying and altering the nature and scope of services in the current period. This is for two reasons:

1. The first stage of the FTA Reforms commences in the current regulatory period.
2. While the second stage commences in the next regulatory period, the legislative or administrative act or decision that has the effect of substantially varying and altering the scope of the direct control services occurred in the current regulatory period.
3. To efficiently deliver services in the long-term interests of consumers, we will necessarily incur costs in the current regulatory period (it is not possible to defer implementation costs to after 1 July 2026 to enable the second stage of the reforms to commence on 1 November 2026). Accordingly, we are required to substantially vary how we deliver services in the current regulatory period.

³⁷ AER 2024, *Determination: Jemena Victorian Emergency Backstop Mechanism Cost Pass through*, p.7 Available: <https://www.aer.gov.au/system/files/2024-09/AER%20Determination%20-%20Jemena%20VEBM%20cost%20pass%20through%20-%2020September%202024.pdf>.

³⁸ AER 2019, *Determination Power of Choice reforms cost pass through*, p.1 Available: <https://www.aer.gov.au/system/files/AER%20determination%20-%20Power%20of%20Choice%20reforms%20cost%20pass%20through%20-%20Evoenergy%20-%20February%202019.pdf>

³⁹ AER 2013, *Final Determination: Cost pass through application for the National Energy Customer Framework*, p. 10

An alternative view is that the FTA Reforms substantially vary and alter the scope of services in the next regulatory period rather than this period. While we do not agree with this interpretation; we note that in this case, the FTA Reforms would instead meet the definition of a regulatory change event, which is defined as:⁴⁰

A change in a regulatory obligation or requirement that:

- (a) falls within no other category of pass through event; and*
- (b) occurs during the course of a regulatory control period; and*
- (c) substantially affects the manner in which the Transmission Network Service Provider provides prescribed transmission services or the Distribution Network Service Provider provides direct control services (as the case requires); and*
- (d) materially increases or materially decreases the costs of providing those services.*

A regulatory change event is constructed slightly differently to the service standard event. It does not require the change to the manner in which direct control services are to be provided to occur in this regulatory period – as long as the regulatory obligation of requirement is changed in the regulatory control period.

The implication is that if the FTA Reforms are considered to substantially vary how direct control services are provided in the next regulatory period (and the requirements of a service standard event are not met), then the regulatory change event will apply instead.

Limb (b) – material increase in cost

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 as:⁴¹

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 5.6, the direct control costs we expect to incur as a result of the FTA Reforms is \$0.7M in 2024-25 and \$14.0M in 2025-26, or in \$2021 terms \$0.6M and \$12.0M. As shown in Table 6–2, 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.

Table 6–2: Total incremental direct control expenditure up to 30 June 2026 (\$m real, 2020-21)

	2024-25	2025-26
Expenditure incurred within the 2021-26 regulatory period ⁴²	0.6	12.0
Annual revenue requirement ⁴³	266.6	273.5
Materiality	0.2%	4.4%

⁴⁰ NER, Chapter 10.

⁴¹ NER, Chapter 10.

⁴² Attachment B.

⁴³ AER Jemena electricity PTRM- 2025-26 Return on debt update (inc VEBM CPT)- March 2025. <https://www.aer.gov.au/documents/aer-jemena-electricity-ptm-2025-26-return-debt-update-inc-vebm-cpt-march-2025>

6.1.2 Positive change event

A positive change event is defined for a Distribution Network Service Provider to be:⁴⁴

- (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 Reforms constitute a positive change event as they meet the requirements of a service standard cost pass through event, result in a material increase in costs, and do not relate to a contingent project, associated trigger event, or a retailer insolvency event.

6.1.3 Timing

To seek approval of the AER to pass through a positive pass through amount we must seek approval of the AER within 90 business days of the event occurring, unless the AER has extended the time limit.

As outlined in section 2, the FTA Reforms are made up of changes to the NER,⁴⁵ Retail Market Procedures, as well as Victorian Ministerial Orders.

For the purpose of NER clause 6.6.1(c)(2), we consider that the positive change event occurred on 15 August 2024, when the AEMC made the rule change *Unlocking CER benefits through flexible trading*. This event was not contemplated when our 2021-2026 price determination was made but imposes additional obligations and costs not included in the 2021-26 determination.

On 23 September 2024, as the market procedure and system changes had not yet been modified and that waiting until this detail was known would result in a more robust cost estimate,⁴⁶ we requested an extension of time for lodging a positive cost pass through application to 15 November 2025. Given this uncertainty, and to allow us to fully assess the extent, timing and costs associated with the AEMC's rule change, the AER was satisfied that the extension is necessary and provided this extension.⁴⁷

As this proposal is lodged on 31 October 2025 (i.e. before 15 November), this cost pass through application has been submitted within the time limits specified in the NER.

6.2 How we proposed to recover the costs of implementing the FTA Reforms

6.2.1 Eligible pass through amount

The eligible pass through amount refers to the increase in costs in the provision of direct control services that, as a result of the positive change event, JEN has incurred and is likely to incur until the end of the current regulatory period; or if the distribution determination for the next regulatory period does not make any allowance for the recovery of that increase in costs, the end of that regulatory control period.

As outlined in section 5.6, the increase in costs that JEN has incurred and is likely to incur as a result of the FTA Reforms in the current regulatory period is \$14.8M related to direct control services. We will propose to recover the remaining \$9.7M in direct control costs in our revised regulatory proposal for the next regulatory period.

⁴⁴ NER Chapter 10.

⁴⁵ As well as changes to the NER and potentially a second change to the NER.

⁴⁶ JEN, *Letter to AER: Extending the timeframes for submitting a positive cost pass through application relating to the rule change Unlocking CER benefits through flexible trading*, 23 September 2024.

⁴⁷ AER, *Letter to JEN: Re: Request for extension of time – cost pass through applications – AEMO's Foundational & Strategic Initiatives and AEMC's rule change, Unlocking CER benefits through flexible trading*, 15 November 2024.

As a result, the eligible pass through amount in respect of the positive change event in this application is \$14.8M under clause 6.6.1(c)(3) of the NER.

6.2.2 Positive pass through amount

We propose a positive pass through amount based on the incremental revenue, including FTA Reform costs, would have been provided for if it had been known and included in our distribution determination for the current regulatory period.

We have calculated this amount by:

1. Identifying the incremental operating expenditure and capital expenditure to comply with the new requirements under the FTA Reforms in the current regulatory control period. These costs are outlined in section 5.6.
2. Added the incremental operating expenditure and capital expenditure required to be incurred as a result of the FTA Reforms to JEN's 2021-26 Post-tax Revenue Model (PTRM). We made these changes to this 'base' PTRM updated in March 2025⁴⁸ to produce a PTRM which includes the operating and capital expenditure required to be incurred as a result of the FTA Reforms. Both of these models are appended to this application.
3. In the PTRM, which includes FTA Reform costs, recalculated the smoothed annual revenue requirement based on the new costings.
4. Calculated the difference in the smoothed annual revenue requirement between the 'base' PTRM and the PTRM amended to include FTA Reform costs.

We only included standard control service costs in this calculation (and in this application) as there is no revenue impact from incurring alternative control service capital expenditure in regulatory year 2025-26.

As shown in Table 6–33 the difference in the smoothed annual revenue requirement between the base and amended PTRM is \$1.2M (\$nominal) in 2025-26. This is our proposed positive pass through amount.

Table 6–33: Incremental standard control service revenue resulting from FTA Reforms (\$m nominal)

	RY22	RY23	RY24	RY25	RY26	Total
Return on capital	-	-	-	-	-	-
Return of capital (regulatory depreciation)	-	-	-	-	0.1	0.1
Operating expenditure	-	-	-	0.1	0.9	1
Net tax amount	-	-	-	-	-	-
Incremental annual revenue requirement (unsmoothed)	-	-	-	0.1	-	1.2
Incremental annual expected revenue (smoothed)	-	-	-	-	1.2	1.2

6.2.3 How we propose to recover the pass through amount

As prices have already been set for 2025-26 regulatory year, we propose to recover the positive pass through amount in the next regulatory period. To be compliant with the NER, Cl. 6.6.1(c)(5) we propose to recover this amount in 2026-27. We note that the AER has not yet made its final decision or set the price path for the next regulatory period. Accordingly, we are willing to work with the AER to determine which year works best to recover the pass through amount.

⁴⁸ Available: <https://www.aer.gov.au/documents/aer-jemena-electricity-ptrm-2025-26-return-debt-update-inc-vebm-cpt-march-2025>

Appendix A

Compliance Checklist

A1. Compliance checklist

This appendix provides summary information outlining how this pass through application submission and supporting materials comply with the NER pass through provisions (as set out in Rule 6.6.1). It references where the relevant information can be found.

Table A1–1: Compliance checklist

NER clause	Requirement	Compliance demonstration
6.6.1(a1)	(a1) Any of the following is a pass through event for a distribution determination: (1) a regulatory change event; (2) a service standard event; (3) a tax change event; (4) a retailer insolvency event; and (5) any other event specified in a distribution determination as a pass through event for the determination.	This application seeks approval of incremental cost recovery for a service standard event. In the event that the FTA reforms are considered to substantially vary how direct control services are provided in the next regulatory period (and the requirements of a service standard event are not met) then the regulatory change event will apply instead. See section 6.1.1.
6.6.1(a)	If a positive change event occurs, a Distribution Network Service Provider may seek the approval of the AER to pass through to Distribution Network Users a positive pass through amount.	This whole application, including supporting materials, is JEN's application for the AER's approval of a positive pass through amount. It demonstrates how JEN is incurring materially higher costs as a result of a positive change event.
6.6.1(c)	To seek the approval of the AER to pass through a positive pass through amount, a Distribution Network Service Provider must submit to the AER, within 90 business days of the relevant positive change event occurring, a written statement.	With the time extension granted by the AER, this application was submitted within the timeframe specified by the AER. See section 6.1.3.
6.6.1(c)(1)	A written statement must specify the details of the positive change event.	The FTA Reforms establish the positive change event. See sections 2, 3, and 6.1.2.
6.6.1(c)(2)	A written statement must specify the date on which the positive change event occurred.	The event occurred on 15 August 2024. See section 6.1.3.
6.6.1(c)(3)	A written statement must specify the eligible pass through amount in respect of that positive change event.	The eligible pass through amount is set out in section 6.2.1.
6.6.1(c)(4)	A written statement must specify the positive pass through amount the Distribution Network Service Provider proposes in relation to the positive change event.	The requested positive pass through amount and the resulting revenue adjustment for the pass through amount are provided in the application. See section 6.2.2.
6.6.1(c)(5)	A written statement must specify the amount of the positive pass through amount that the Distribution Network Service Provider proposes 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.	We propose to recover a positive pass through amount of \$1.2M, see section 6.2.2.
6.6.1(c)(6)(i)	A written statement must specify evidence of the actual and likely increase in costs.	We have set out the new obligations, our approach to meeting those obligations, costing those

NER clause	Requirement	Compliance demonstration
6.6.1(c)(6)(ii)	A written statement must specify evidence that such costs occur solely as a consequence of the positive change event.	obligations, the resulting incremental costs, and how we have minimised those costs. See sections 5.4, 5.5, and 5.6.
6.6.1(c)(6)(iii)	A written statement must specify evidence in relation to a retailer insolvency event.	This application does not relate to a retailer insolvency event.
6.6.1(c)(7)	A written statement must specify such other information as may be required under any relevant regulatory information instrument.	N/A
6.6.1(c1)	The positive pass through amount proposed by the Distribution Network Service Provider under subparagraph (c)(4) must not, in whole or in part, be in respect of expenditure for a restricted asset, unless the Distribution Network Service Provider has submitted an exemption application with the statement under paragraph (c), which requests an asset exemption under clause 6.4B.1(a)(3) in respect of that asset or class of asset for the positive pass through amount.	Our application does not include any such expenditure.

Appendix B Expenditure Model

B1. Expenditure forecast model

Refer to Appendix B (separate Confidential file *JEN FTA CPT - Appendix B - Expenditure model - Confidential*).

Appendix C

FTA Reform project role descriptions

C1. Role Descriptions

Table C1–1: FTA Role Descriptions

Role	Responsibilities
RAFN (Reform and Future Networks) Program Leadership	
Program Director	Provides overall leadership and delivery of RAFN Program regulatory and strategic outcomes. Approves key FTA Reform project planning and delivery artefacts on behalf of the Program to ensure project timelines are met and risks are managed.
Program Delivery Lead	Manages the progression of projects within the RAFN Program, ensuring robust governance and a program-wide integrated view of delivery assurance. Ensures compliance with internal processes and ensures projects remain on track to deliver, supporting the FTA (and other) project managers in execution and escalation as required.
Program Coordinator	Provides operational support, administration and coordination across the RAFN Program, ensuring visibility of cross-project activities.
Business Owner	Overall accountability for the definition and achievement of business outcomes across the RAFN Program; ensures FTA business alignment in the context of other RAFN projects.
Implementation Manager	Oversees technical delivery, integration, and implementation activities across all RAFN projects. Accountable for dependency management across the RAFN program.
Program Change Manager	Leads change management and business readiness across the program, managing multiple changes that impact JEN across multiple RAFN projects.
Industry Engagement Lead	Provides regulatory, market and industry context, interpretation and requirements to project teams. Ensures continuous alignment is reflected in project scope, planning and delivery.
FTA Reform project Leadership	
FTA Project Manager	Responsible for the day-to-day management and operation of FTA Project
FTA Business Owner	Accountable for business acceptance of FTA Reform project and benefits realisation
Digital Delivery Lead	Responsible for the delivery of all digital components of the FTA solution
Business Delivery Lead	Responsible for the delivery and integrity of the end-to-end FTA business solution
Test Lead	Responsible for the establishment and execution of overall testing strategy and plans across all components of FTA business solution
Change Lead	Responsible for the establishment and execution of organisational change management plans and activities required to adopt FTA business solution
Digital Delivery Workstream	
Solution Architect	Responsible for end-to-end FTA solution design and solution integrity
Information Security/SecOps	Responsible for alignment of the 'information technology' component of the FTA solution to Jemena's security policies and standards
OT Security	Responsible for alignment of the 'operational technology' component of the FTA solution to Jemena's security policies and standards
Network Engineer	Responsible for providing ongoing support and maintenance of infrastructure, network and database components to support FTA Reform project needs throughout its lifecycle
Technical Specialist	Responsible for the build, configuration, enhancement, and unit testing of the FTA solution across all digital components The scope of the roles includes all of the impacted business systems: SAP AMI, SAP ERP, GIS Asset, Metering Systems, Market Interface, Customer Experience, OMS, Data & Analytics
Implementation Manager	Responsible for establishment, operation and governance of relevant digital and metering engineering changes and releases for FTA solution
Customer Systems Operations Manager	Responsible for the acceptance of the new and changed Customer Systems as part of the FTA solution, for their ongoing operations
Electricity Systems Operations Manager	Responsible for the acceptance of the new and changed Electricity Systems as part of the FTA solution, for their ongoing operations
Business Delivery Workstream	
Business Process Owner	Accountable for the design, implementation and readiness of respective business processes and their associated FTA outcomes

Role	Responsibilities
	The scope of the roles includes all of the impacted business areas: Customers, Asset Management, Network, Connections, Field Operations and Faults, Metering, Market Interactions, Billing and Invoicing
Business Process SME	Responsible for providing subject matter expertise advice to design FTA business and digital solutions for respective business/functional areas The scope of the roles includes all of the impacted business areas: Customers, Asset Management, Network, Connections, Field Operations and Faults, Metering, Market Interactions, Billing and Invoicing
Business Analyst	Responsible for designing end-to-end business processes and digital solutions to meet business requirements and business needs on FTA The scope of the roles includes all of the impacted business areas and business systems
Testing Workstream	
Test Automation Lead	Responsible for planning, executing, managing and improving the automation testing efforts to enhance testing efficiency and software quality
Test Automation Engineer	Responsible for designing, developing, and executing automated test scripts
Tester	Responsible for designing and executing tests, reporting defects/issues
Change Management Workstream	
Change Analyst	Responsible for the planning and execution of organisational change management activities, including communications and training
Technical Writer	Responsible for creating clear and user-friendly documentation that supports the understanding and use of the new FTA business processes and solution
Project Support	
Project Administrator	Support the Project Manager and project team with key administration activities
Procurement Specialist	Provide advice and assistance in sourcing, purchasing, and contracting of goods and services required for the project
Regulatory Support Pricing Support Legal Support	Provide guidance, advice and assistance on respective areas to inform business and project decisions

C2. Ongoing step operating expenditure role descriptions

The following are ongoing, incremental roles required as a result of the FTA Reforms.

Table C2–1: Ongoing step opex role descriptions

Role	Key Accountabilities & Responsibilities	Why FTA is driving the need for this additional resource	Risks if we do not have this role
Startek – Connections BOH (2 FTE)	Back-office processing for connections service orders and CMS setup. Support customer enquiries, faults registration and triaging.	Expected contacts for faults and triaging are projected at 5,000–6,000 annually, requiring consistent resourcing to maintain reliable connections, accurate billing, and timely issue resolution. Annual connections volume for public lights is expected to have a surge by ~5,000 plus 2,000 street furniture connections, driven by new requirements for public lighting and CMS setup. There will be incremental service orders and exceptions that need to be managed.	Risk to customer safety and will have reduced customer satisfaction, increased complaints, and operational bottlenecks. We risk significant backlogs, delayed meter activations, and an inability to meet new service obligations, resulting in compliance risks and poor customer experience.

Appendix D Claims for confidentiality

D1. Claims for confidentiality

The following table identifies specific sections of this passthrough submission that JEN claims to be commercial-in-confidence and the basis of the claim. These claims are consistent with the requirements set out in the AER's Confidentiality Guideline (August 2017).

JEN has provided reasons detailing how and why disclosure of the information would cause detriment to the business. JEN understands that this confidential information being available to the AER to perform its functions under the rules provides a public benefit, and has assessed that, in all identified cases, JEN's confidentiality reasons, together with the benefits already realised through the AER's confidential use of this data, are not outweighed by any additional public benefit to disclose of the information.

Table D1–1: Confidentiality claims

Document title	Title, page and paragraph number	Description of the confidential information	Topic the confidential information relates to	Confidentiality category	Why the confidential information falls into the selected category	How and why detriment would be caused from disclosing the confidential information	Reasons supporting why the identified detriment is not outweighed by the public benefit
JEN FTA Cost Pass Through Application [this document]	Figure 5-1 System Impact, pg, 13, 14, 15	Information about JEN's system architecture and the changes required for specific system components.	ICT system architecture.	Information affecting the security of the network.	Information about JEN's systems and changes to specific system components is highly sensitive and may reveal vulnerabilities of the system.	Public disclosure could increase JEN's risk of cyber-attacks, compromising JEN's ability to maintain its system securely, therefore potentially leading to higher costs in the future.	While the potential detriment of publication is evident, JEN considers there to be no clear public benefit in disclosing the information.
JEN FTA CPT – Appendix B – Expenditure Model	Entire model	Information about the procured service engaged through competitive tendering processes.	Outcomes of the procurement approach	Market sensitive information	Information gathered through tendering processes is commercial in confidence and maintaining confidentiality	Public disclosure could impact JEN's ability to procure resources in the future, meaning customers may be more exposed to	While the detriment of publishing the information is clear, JEN is not aware of any material incremental benefit from the AER publishing this information,

Document title	Title, page and paragraph number	Description of the confidential information	Topic the confidential information relates to	Confidentiality category	Why the confidential information falls into the selected category	How and why detriment would be caused from disclosing the confidential information	Reasons supporting why the identified detriment is not outweighed by the public benefit
					ensures rigour to commercial negotiations.	higher costs in the future.	as opposed to using it on a confidential basis.
JEN FTA Cost Pass Through Application [this document]	Section 2.1.5, Pg 5	Information about the draft orders JEN received, detailing what the Responsible Minister for the Electricity Industry Act 2000 is expected to issue.	Victorian-specific arrangements	Other	The information is confidential as it was provided to JEN by the government in confidence.	If we disclose this information given to us in confidence, we would risk harming our relationship with the government, which is built on trust and good faith. Public disclosure of this confidential information could result in other organisations holding back on sharing important confidential information with JEN, which would impact decision-making and planning. JEN would no longer be able to make their decisions based on the best possible information.	While the potential detriment of publication is evident, JEN considers there to be no clear public benefit in disclosing the information.

Figure D1–1: Proportion of confidential material

Submission Title	Number of pages of submission that include information subject to claim of confidentiality	Number of pages of submission that do not include information subject to claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to claim of confidentiality	Percentage of pages of submission that do not include information subject to claim of confidentiality
JEN FTA Cost Pass Through Application [this document]	4	43	47	9%	91%
JEN FTA CPT – Appendix B – Expenditure Model	9	0	9	100%	0%

Appendix E

PTRMs for calculating the positive pass through amount

E1. PTRMs

We provide the following models:

- Appendix E – PTRM - 2025-26 RoD update - March 2025.xlsm
- Appendix E – PTRM - 2025-26 RoD update - March 2025- Incl FTA.xlsm
- Appendix E – Baseline and FTA incl PTRM revenue comparison.xlsm