

Submission to the Australian Energy Regulator (AER)

Cost pass through applications from AusNet, Jemena, CPU and Energex

23 January 2026

Background to this submission

The Australian Energy Regulator (AER) has invited stakeholders to provide (by 23 January 2026) written submissions on cost pass through applications received from AusNet Services, Jemena, CitiPower, Powercor, United Energy, and Energex. These applications relate to incremental distribution network costs arising from various recent regulatory changes, as well as Tropical Cyclone Alfred in March 2025.¹

A cost pass through application allows network businesses to recover efficient costs, not accounted for in current revenue determinations, associated with certain specified events such as changes in regulatory obligations or service standards, and natural disaster events. Customers ultimately pay for all additional costs that a network business recovers as a result of a cost pass through application.

Flexible Trading Arrangements (FTA) rule change

The Victorian electricity distribution network service providers (AusNet, Jemena, CitiPower, Powercor, and United Energy) have submitted [cost pass through applications](#) seeking to recover costs arising from the Australian Energy Market Commission's (AEMC's) *Unlocking CER benefits through flexible trading arrangements* rule change.

The distribution network service providers have identified total incremental costs (capital and operating expenditure) as follows:

- AusNet Services: \$15.3 million
- Jemena: \$14.8 million
- CitiPower: \$13.3 million
- Powercor: \$31.1 million
- United Energy: \$41.4 million
- **Victorian total: \$115.9 million**

¹ For more information on the regulatory process associated with these cost pass through applications, see <https://www.aer.gov.au/news/articles/communications/have-your-say-cost-pass-through-applications-ausnet-jemena-cpu-and-energex> and the individual project pages on the AER website that are linked from that page.

Other regulatory changes

Jemena has also separately [applied to pass through](#) incremental costs arising from the Australian Energy Market Operator's (AEMO's) Market Interface Technology Enhancements, the AEMC's *Accelerating smart meter deployment* rule change, and the October 2025 Victorian Emergency Backstop Mechanism 2 (VEBM 2) Ministerial Order. Jemena has identified total incremental costs (capital and operating expenditure) as follows:

- AEMO's Market Interface Technology Enhancements: \$5.5 million
- Accelerating smart meter deployment: \$16.1 million
- VEBM 2 Ministerial Order: \$17.3 million
- **Additional Jemena total: \$38.9 million**

Natural Disaster Event

Energex has submitted a [cost pass through application](#) seeking to recover incremental costs incurred as a result of Tropical Cyclone Alfred. Energex has identified total costs of \$60.4 million, largely related to operating expenditure for network repair and restoration following the event.

The substance of this submission

The authors of this submission note that from time to time the AER receives cost pass through applications such as these from network businesses. These cost pass through applications sit outside the regular five-yearly regulatory processes. Their timing may coincide with relevant regulatory processes, such as is the case with the AusNet, Jemena, CitiPower, Powercor, and United Energy applications where the AER is currently considering these businesses' revenues for the next regulatory period 2026-31.

The amounts sought in these applications are often significant – the total sought by Victorian DNSPs in this single round of cost pass through applications is \$154.8 million, a significant additional cost for Victorian consumers. The result for customers is the same whether the revenue is approved by the AER based on a cost pass through application or through a five-year regulatory process. In both cases, the revenue is ultimately collected from customers through their electricity bills.

However, the stakeholder engagement that occurs in regard to a cost pass through application is quite different from the engagement that occurs in the five-year regulatory processes.

Under the AER's Better Resets Handbook,² network businesses engage collaboratively with customers and other stakeholders for extended periods before proposals are submitted in five-year regulatory processes. Those processes are expected to consider *inter alia* the affordability of electricity for consumers that will result if the business' proposal is accepted.

In contrast, cost pass through applications receive minimal stakeholder scrutiny. It seems that these applications generally lack stakeholder collaboration before they are submitted. After submission, the only stakeholder engagement is at most at the consult level in a request for submissions by the AER. There are no issues papers or public forums, no expert stakeholder groups scrutinising the applications, no

² <https://www.aer.gov.au/about/strategic-initiatives/better-resets-handbook>

independent stakeholder reports, and no CCP sub-panel tasked with providing consumer focused advice to the AER on the applications.

In the case of the current applications there is no guidance to stakeholders regarding the aspects of the applications where the AER's decision might be most influenced by stakeholders' views.

Looking at recent cost pass through applications,³ there seems to be little if any stakeholder engagement involved. In some cases, submissions are invited, in other cases not. Sometimes guidance is provided to stakeholders regarding the aspects of the applications where the AER's decision might be most influenced by stakeholders' views, but often not. Sometimes the process is closed off with an AER decision, and sometimes not.⁴ In summary, cost pass through applications appear to be a neglected area in regard to encouraging and guiding stakeholder engagement, and consistency in approach.

What we are seeking from the AER in order to achieve better outcomes in the long term interest of consumers

Where the timing of a cost pass through application coincides with a relevant regulatory process for a five-year reset, the AER should tie the cost pass through application more directly with reset and associated engagement. This would enable stakeholders to have the opportunity to engage more rigorously with the application, from the stakeholders' perspectives. This would include consideration of affordability for customers, taking into account the cost pass through application together with the business' regulatory proposal.

Where the timing of a cost pass through application does not coincide with a relevant regulatory process, the AER should expect that the relevant business has collaborated with stakeholders to determine the appropriateness, timing and consumer impacts of the cost pass through application.

Publication of this submission

This submission does not present any confidential information and is intended for publication by the AER. This submission is relevant to all the cost pass through applications that are being considered by the AER, and should be published on every project page.

A note about the authors of this submission

The authors of this submission are three individual Australian residential electricity customers – David Prins, Mark Henley and Robyn Robinson. All three have significant expertise and experience in regulation and competition in the Australian electricity markets, including advocacy and presenting of customer views to governments, regulators and market bodies.

Collectively the three authors are members of the AER's Consumer Challenge Panel (CCP) sub-panel CCP32 that has been advising the AER in regard to the regulatory proposals of the five electricity distribution businesses in Victoria. However, this submission does not fall within the scope of the authors' membership of CCP. All resource expended on this submission has been self-funded by the authors in their own time in order to assist the AER in enhancing the long term interest of consumers.

³ At <https://www.aer.gov.au/industry/networks/cost-pass-throughs>

⁴ By way of example, <https://www.aer.gov.au/industry/networks/cost-pass-throughs/ausgrids-distribution-cost-pass-through-application-january-2025-storm/application> invited submissions in June-July 2025, and usefully provided six questions that interested parties might wish to address in order to best assist and inform the AER in making its determination. However, there is no closing-off to inform stakeholders whether submissions were received and what ultimately happened to the cost pass through application.