

# Final decision

AusNet Services electricity distribution  
determination

1 July 2026 – 30 June 2031

**Attachment 14 – Alternative control services**

**April 2026**

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## 14 Alternative control services

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

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

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

The final decision price lists can be found within the ANS and public lighting models, consistent with our approach in the draft decision. Specifically, in:

- AER – Standardised ANS model - PUBLIC - Final Decision - AusNet Services distribution determination 2026–31 – April 2026
  - Refer to tabs – ‘Final Decision – Labour’ and ‘Final Decision – Services’
- AER – Public Lighting Inputs Model - PUBLIC - Final Decision - AusNet Services distribution determination 2026–31 – April 2026
  - Refer to tab – ‘Final Decision’
- AER – Public Lighting Model - PUBLIC - Final Decision - AusNet Services distribution determination 2026–31 – April 2026
  - Refer to tab – ‘Final Decision’.

### 14.1 Ancillary network services

ANS are non-routine services provided to individual customers as requested. Our Framework & Approach (F&A) paper outlined several types of services that meet this broad definition.<sup>1</sup>

Networks charge customers for ANS on a user-pays basis, either through a fixed fee or a quoted price, depending on the nature of the service.

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

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

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

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

## 14.1.1 Final decision

### 14.1.1.1 Fee-based and quoted services

Our final decision is to not accept AusNet's revised proposal prices for ANS in the 2026–31 period as submitted, although we do accept some aspects of its revised proposal. Based on our analysis and updated inputs, our final decision is to:

- accept the updated overhead rate being increased from 3.0% of total fee-based service costs in draft decision to 9.7% in the revised proposal
- accept the new fee-based service 'Type 9 meter data service – Per light Per Year'<sup>2</sup>
- accept the revised proposal price for fee-based service 'wasted truck visit – customer not ready for works'
- update AusNet's labour rates and prices for year one of the 2026–31 period for actual inflation
- substitute AusNet's nominal vanilla weighted average cost of capital (WACC) to calculate its tax recovery rate for its connection charges with our final decision WACC
- substitute AusNet's proposed X factors with our final decision X factors, which reflect our updated labour price growth forecasts.

Our final decision ANS prices for 2026–31 and X factors are set out in the final decision ANS fee based and quoted services model. Our final decision ANS prices for the 2026–31 period are, on average, 0.2% higher than AusNet's revised proposal.

### 14.1.1.2 Form of control for ancillary network services and X factors

Our final decision is to maintain our final F&A position to apply price caps to ANS as the form of control.

Under a price cap form of control, we set a schedule of price caps for fee-based services and maximum labour rates for quoted services for the first year of the regulatory control period, 2026–27. For each year thereafter, we adjust the price caps and maximum labour rates for inflation, the X factor<sup>3</sup>, and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12 – Control mechanisms.

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<sup>2</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 293.

<sup>3</sup> Under the CPI-X framework, the X factor can be a measure of the real rate of change in prices from one year to the next. For ancillary network services, the X factor is the change in wage prices given that labour is the primary cost input for providing these services.

As ANS have a high share of labour and labour-related inputs, we use labour price growth forecasts as the ANS X factor. Consistent with our previous decisions, we derived the X factor by averaging wage price index growth forecasts from Deloitte (provided by the AER) and BIS Oxford Economics (provided by the distributor).<sup>4</sup>

Our final decision X factors for ANS are set out in our final decision ANS fee based and quoted service model. As noted above, they reflect our updated labour price growth forecasts.

### 14.1.2 AusNet’s revised proposal

In its revised proposal, AusNet updated its labour rates and prices for its fee-based services. To summarise, AusNet:

- introduced a new fee-based service ‘Type 9 meter data service – Per light Per Year’<sup>5</sup>
- accepted the draft decision to apply the diminishing value method for calculating tax to be applied only on fee-based connection services
- did not accept the draft decision price for fee-based service ‘wasted truck visit – customer not ready for works’
- increased its overhead rate from 3.0% in draft decision to 9.7% for all its fee-based prices<sup>6</sup>
- updated prices for all fee-based services and labour rates for latest inflation.<sup>7</sup>

Based on the above updates, AusNet’s revised proposal fee-based ANS prices are 9.8% higher than its initial proposal and 9.5% higher than our draft decision.

### 14.1.3 Assessment approach

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

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

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

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<sup>4</sup> For more detail on the reasons for this decision, see the discussion in section 3.3.2 of AER, *Attachment 3 - Operating expenditure - Final decision - AusNet Services Distribution determination 2026-31*, April 2026.

<sup>5</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 293.

<sup>6</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 292.

<sup>7</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 292.

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

#### **14.1.4 Reasons for final decision**

The reasons for our decision on items other than as set out in the sections below are summarised in section 14.1.1. As outlined in that section, these include the mechanical updates to inflation, labour price growth forecasts and, where required, the WACC that we used in making our final decision.

We did not receive any stakeholder feedback in relation to the proposed ANS prices and control mechanism.

##### **14.1.4.1 Type 9 Meter data services**

AusNet proposed to introduce a new fee-based service – Type 9 meter data service – for the provision of meter data substitution and exemption management services. AusNet stated that it is required to provide these services due to recent NER changes that introduce Flexible Trading Arrangements and expected changes to Victorian metering obligations.<sup>8</sup> AusNet also explained that Type 9 meters are a part of its proposed public smart lighting service as they are integrated with smart lighting controllers.<sup>9</sup>

As set out in Attachment 11 – Service Classification, Type 9 metering services requested by public lighting customers are now classified as distribution service falling under alternative control services, where the user benefitting from the service pays.

As set out in section 14.2, AusNet included the costs of Type 9 metering services in its public lighting prices. Separately, there is a fee-based Type 9 meter data service for the provision of meter data substitution and exemption management services. We understand this fee-based Type 9 meter data service for public lighting is similar to the existing Type 7 meter data service already provided by AusNet as an ANS fee-based service.

In its revised proposal, AusNet introduced this service for 2026–31 and proposed for 2026–27 a Type 9 meter data price (per light per year) of \$6.05. This is higher than the proposed 2026–27 Type 7 metering services (per light per year) of \$2.40. AusNet stated that the proposed Type 9 price covers an incremental staff increase to support interval meters installed on public lights.<sup>10</sup>

We have examined the costs associated with this price. The labour inputs used (for a technical officer) are consistent with those used in AusNet’s revised proposal and lower than our maximum benchmark rates. AusNet calculated that it would take a technical officer 2.02 minutes to perform a Type 9 meter data service. This is higher than the Type 7 meter data

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<sup>8</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 293.

<sup>9</sup> AusNet, *response to information Request #088 - Type 9 meters and other modelling queries – 20260213 – confidential*, February 2026.

<sup>10</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 293.

service, which AusNet calculated would take 1.46 minutes for an administrative officer to perform.<sup>11</sup>

We did not receive any stakeholder feedback in relation to this new service.

We accept the Type 9 meter data service for public lights and the proposed fee for our final decision.

#### 14.1.4.2 Wasted Truck visits

AusNet did not accept our draft decision price of \$271.66 for the fee-based service ‘Wasted Truck Visit – customer not ready for their requested works’. In its revised proposal, AusNet proposed a new price of \$398.69 for this service based on further negotiations with its supplier.

AusNet explained that Wasted Truck Visits are not a standalone service for which a separate supplier is appointed. However, AusNet negotiated with its supplier to lower the price and provide better value to its customers.<sup>12</sup>

Table 14.1 compares AusNet’s proposed price against other distributors for this service for 2026–27. Our benchmarking indicates that AusNet’s proposed price for this service is lower than all Victorian distributors but higher than Power and Water Corporation (PWC) and TasNetworks.

**Table 14.1 Price comparison of AusNet proposed ‘Wasted Truck Visit – customer not ready for their requested works’ (business hours) against other distributors (\$2026–27)**

Distributor	Service	Price (\$2026–27 nominal)
AusNet	Wasted Truck Visit – customer not ready for their requested works	\$398.69
Jemena	Wasted Site Attendance	\$653.33
CitiPower	Failed field visit (complex tasks)	\$440.17
Powercor	Failed field visit (complex tasks)	\$448.88
United Energy	Failed field visit (complex tasks)	\$398.42
PWC	Wasted visit fee	\$348.12
TasNetworks	Basic connection wasted visit	\$321.70

<sup>11</sup> AusNet, *AER – Standardised ANS model - Revised Proposal - AusNet Services distribution determination 2026-31*, December 2025.

<sup>12</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 293.

Source: AusNet, *AER – Standardised ANS model - Revised Proposal - AusNet Services distribution determination 2026-31*, December 2025; Jemena, *JEN - RP - Att 11-04M ACS Fee based and quoted services model - 20251201*; CitiPower, *CP RRP MOD 6.08 - Standardised ANS model*, December 2025; Powercor, *PAL RRP MOD 6.08 - Standardised ANS model*, December 2025; United Energy, *UE RRP MOD 6.08 - Standardised ANS model*, December 2025; TasNetworks, *TasNetworks (ED) 2026-27 - Final - annual ACS pricing model*, 31 March 2026; PWC, *Power and Water Corporation (PWC) 2026-27 - Final - Att C - Annual ACS Pricing Model*, 31 March 2026.

We accept the price proposed by AusNet's in its revised proposal for Wasted Truck Visits as we consider the price for this service is reasonable as it benchmarks well to other Victorian distributors. We will update it for the actual inflation and labour price growth forecasts used in this final decision.

#### 14.1.4.3 Overhead rate

In its revised proposal, AusNet proposed to increase its overhead rate from 3.0% of total fee-based service costs (provided in our draft decision) to 9.7%. AusNet stated that actual network overhead cost for ACS fee-based services increased in 2024–25 as reflected in Regulatory Information Notice (RIN) data.<sup>13</sup>

Our analysis indicates that the price impact of this increase in overhead costs is an average increase to ANS fee-based prices of 6.1% in 2026–27.

We consider the proposed overhead rate of 9.7% is reasonable. This is because it is below the AER's maximum efficient total overhead rate benchmark of 61% and reflects actual costs incurred by AusNet. Additionally, the overhead rate proposed by AusNet is lower than what Jemena proposed (20.9% in its revised proposal).

We accept the proposed overhead rate of 9.7% of total fee-based costs for the final decision.

## 14.2 Public lighting

Public lighting services include the provision, construction and maintenance of public lighting assets. This definition includes new technologies such as energy-efficient light emitting diode (LED) luminaires and emerging public lighting technologies such as smart-enabled luminaires.<sup>14</sup>

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

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

### 14.2.1 Final decision

Our final decision is to not accept AusNet's revised proposal for public lighting services in the 2026–31 period as submitted. Based on our analysis, we:

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<sup>13</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 292.

<sup>14</sup> AER, *Final framework and approach - AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31*, July 2024, p. 36.

- accept AusNet’s proposed expenditure and approach to fund the accelerated LED rollout by the end of the 2026–31 period and the related proposal to accelerate the depreciation of its legacy lights
- accept AusNet’s proposed expenditure and approach to introduce smart lighting technology, including its proposed ‘opt-in smart lighting’ charge
- accept AusNet’s updated contractor rates and proposal to apply network overheads.

However, we have updated AusNet’s revised proposal to apply our final decision inputs on labour price growth forecasts, the WACC and inflation. These are updated, amongst other reasons, for consistency with other aspects of our final decision on AusNet’s regulatory proposal (see section 14.2.4.6 where these updates are outlined). We applied these updated inputs into our public lighting models, resulting in minor adjustments to AusNet’s revised proposal public lighting prices.

We note our final decision is to classify Type 9 metering services requested by public lighting customers, and only for public lighting customers, as alternative control services. These services will sit within the existing public lighting service group. This is set out in Attachment 11. As set out in section 14.2.4.4, AusNet proposed these costs as a part of its smart lighting costs, and we consider they are appropriately included in the public lighting costs.

As set out in Attachment 12, our final decision is to maintain our final F&A position to apply price caps to public lighting as the form of control. Under a price cap form of control, we set a schedule of price caps for public lighting services for the first year of the regulatory control period, 2026–27. For each year thereafter, we adjust the price caps for inflation, the X factor,<sup>15</sup> and any relevant adjustments. This mechanism is set out in greater detail in section 12.5.2 of Attachment 12 – Control mechanisms.

Our final decision public lighting prices for 2026–31, including the X factors, are set out in the final decision public lighting model.<sup>16</sup> The X factors are used to adjust prices annually for years 2 to 5 of the 2026–31 period. Our final decision public lighting prices for 2026–27 (the first year of the 2026–31 period) are on average 1.1% higher than AusNet’s revised proposal prices for 2026–27.

## 14.2.2 AusNet’s revised proposal

In its revised proposal, AusNet accepted all aspects of our draft decision and also reflected stakeholder feedback and recommendations, including from the Victorian Greenhouse Alliances (VGA), that it received prior to making its revised proposal. In addition to mechanical updates to its public lighting models (i.e. labour price growth forecasts, inflation and WACC), AusNet:

- adopted the post tax revenue model (PTRM) and separated the Regulatory Asset Base (RAB) to remove cross subsidisation between councils for the accelerated LED rollout (outlined next)

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<sup>15</sup> Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next.

<sup>16</sup> AER, *Public Lighting Model - PUBLIC - Final Decision - AusNet Services distribution determination 2026–31*, April 2026.

- proposed an accelerated LED rollout to be completed by the end of the 2026–31 regulatory control period and in a related sense proposed accelerated depreciation for its legacy lights being replaced with LEDs
- proposed to introduce smart lighting technology for major roads and an ‘opt-in smart lighting’ charge for minor roads
- proposed new / updated contractor rates after a tender process
- proposed to apply a network overhead rate of 4.0%
- accepted our draft decision for the replacement cycles of 5 years and 10 years for photoelectric cells (PE cell) and mercury vapour (MV) lights respectively
- accepted our draft decision for hourly rates for elevated platform vehicles and patrol vehicles.

In its revised proposal, AusNet proposed to accelerate the LED rollout, to be complete by the end of the 2026–31 regulatory period.<sup>17</sup> AusNet also proposed to align its public lighting model to Jemena’s, adopting the PTRM and separating the regulatory asset base (RAB) into partially-funded and AusNet-funded RABs. Reflecting VGA’s feedback and our draft decision recommendation, AusNet noted this would minimise cross subsidisation between councils that had already funded LED rollouts and councils where the rollout would occur over the next period. AusNet stated that it had received positive feedback from councils in its September 2025 engagement related to separation of RABs.<sup>18</sup>

In addition, AusNet also proposed accelerated depreciation for its legacy lights from 11.4 years to 8 years to mitigate the stranded asset risk of the legacy lights that would be replaced with LED lights.<sup>19</sup>

AusNet accepted our draft decision to introduce smart lighting technology in the 2026–31 regulatory control period.<sup>20</sup> This followed the VGA’s submission (in response to the initial proposal) and council feedback, particularly given the benefits of energy cost savings. It also introduced an ‘opt-in smart lighting’ charge for minor roads for councils to choose from. In its submission to the revised proposal, the VGA supported the proposed investment in smart lighting assets, and supported technology platforms, as it would deliver energy savings as well as provide safety benefits to councils and community.<sup>21</sup>

After submitting its revised proposal, AusNet also updated the contractor unit rates following a tender process that resulted in lower contractor rates. This resulted in a reduction to the capital expenditure (capex) in its revised proposal.<sup>22</sup>

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<sup>17</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, pp. 280 - 281.

<sup>18</sup> AusNet, *response to information request #056 - Public Lighting (Partially funded, Poles and brackets, and unit rates) and ANS (Type 9 meter data services) – confidential*, January 2026, p. 6.

<sup>19</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Model*, February 2026 (see ‘PTRM input’).

<sup>20</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 278.

<sup>21</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, p. 2.

<sup>22</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see ‘Capital Expenditure’).

AusNet also proposed a capital network overhead rate of 4.0% in its revised proposal, applied to its capex over the 2026–31 regulatory period.<sup>23</sup> AusNet stated that this was per the cost allocation methodology of allocating the overheads for each of its cost centres.

AusNet accepted our draft decision to increase the replacement cycles of 5 years and 10 years for photoelectric cells (PE cell) and mercury vapour (MV) lights, respectively. AusNet also accepted our draft decision for hourly rates for elevated platform vehicles and patrol vehicles, and therefore maintained these rates in its revised proposal.<sup>24</sup>

Overall, AusNet’s revised proposal public lighting prices for 2026–27 are on average 4.9% lower compared to 2025-26 prices.

We discuss the above proposals and our assessment in section 14.2.4.

### **14.2.3 Assessment approach**

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

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

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

### **14.2.4 Reasons for final decision**

Our final decision is to not accept AusNet’s revised proposal for public lighting services in the 2026–31 period as submitted. While we accept most aspects of AusNet’s revised proposal for public lighting, the final decision includes updates to the labour price growth forecasts, the rate of return and inflation inputs. These update the revised proposal prices to maintain consistency with other aspects of the final decision on AusNet’s revised proposal. Those aspects of the revised proposal that we accept include AusNet’s proposal to accelerate the LED rollout to be finished by the end of the 2026–31 regulatory control period, the related proposal to accelerate the depreciation of the legacy lights being replaced, and the introduction of smart lighting including ‘opt-in smart lighting’ charges.

#### **14.2.4.1 Overall Assessment**

Overall, we consider AusNet’s revised public lighting proposal is reasonable, however, our final decision is to not accept the proposal as submitted. This is because we have adjusted AusNet’s proposed public lighting prices to be consistent with other aspects of our final decision, namely on the labour price growth forecasts, the rate of return and inflation (see section 14.2.4.6).

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<sup>23</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 283.

<sup>24</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see ‘Operating Expenditure’).

#### 14.2.4.2 Stakeholder consultation

We consider AusNet’s stakeholder engagement in relation to public lighting has largely been reasonable, particularly as we consider AusNet had sufficiently addressed stakeholders’ concerns and requests.

AusNet noted in its revised proposal that it consulted with councils via an engagement forum and survey prior to submitting its revised proposal.<sup>25</sup> It specifically consulted on accelerated LED rollout and offering new smart lighting services. AusNet stated that attendees at the forum, and 12 survey responses, confirmed their support for AusNet to accelerate the LED rollout and adopt smart lighting services.<sup>26</sup> AusNet noted that smart lighting not only reduces energy costs and excess energy issues, but according to the VGA submission also it improves road safety outcomes.<sup>27</sup> AusNet stated that in the engagement forum, councils welcomed these changes, subject to the changes not adversely impacting the net council energy and lighting bills.<sup>28</sup> Councils also asked for options to establish council led and funded replacement projects to avoid higher AusNet funded lighting prices.

AusNet noted that beyond this it did not conduct specific stakeholder consultation on the accelerated LED rollout or other public lighting issues and that it followed the recommendations from VGA (in light of the AER’s draft decision).<sup>29</sup>

The VGA’s submission broadly supported the revised proposal submitted by AusNet, particularly the accelerated LED rollout and approach to smart lighting. VGA commended the consultation undertaken by AusNet with the customers on its public lighting proposal.<sup>30</sup>

Following its submission, we met with the VGA. VGA considered AusNet’s proposal, with separated partially-funded (council-funded) and AusNet-funded RABs, and separate LED prices for these, was appropriate. This meant the councils that had already funded LED upgrades would pay a lower price as compared to the AusNet-funded price, and therefore would not lead to cross subsidies.

Consumer Challenge Panel Sub-Panel (CCP32) also stated it understood AusNet had engaged collaboratively with councils and that this had led to a revised proposal that would better meet the needs of customers. Further, it therefore supported the revised proposal as being responsive to customer preferences and expectations.<sup>31</sup>

#### 14.2.4.3 Accelerated LED rollout

We consider AusNet’s revised proposal in relation to the accelerated LED rollout by the end of the 2026–31 regulatory period, taking account of previously partially / council-funded LED

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<sup>25</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 278.

<sup>26</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 278.

<sup>27</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 278.

<sup>28</sup> AusNet, *response to information request #056 - Public Lighting (Partially funded, Poles and brackets, and unit – confidential*, January 2026, p. 6.

<sup>29</sup> AusNet, *response to information request #056 - Public Lighting (Partially funded, Poles and brackets, and unit – confidential*, January 2026.

<sup>30</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, p. 2.

<sup>31</sup> CCP32, *Submission - AusNet electricity distribution proposal 2026-31*, January 2026, p. 22.

rollouts, is reasonable.<sup>32</sup> AusNet proposed this in light of the AER’s draft decision, which was informed by the VGA’s submission to the initial proposal. AusNet also undertook further consultation with councils to inform its revised proposal. Reflecting this, and our broader assessment, we accept AusNet’s revised proposal in relation to the accelerated LED rollout.

### **Accelerated LED rollouts**

In response to each of the Victorian DNSP initial public lighting proposals, the VGA and councils requested accelerated LED rollouts by the end of the 2026–31 regulatory period. That is, all legacy lights to be replaced with LED lights by the end of the next regulatory period. This reflected the benefits of LED lights in the long term through lower energy usage, costs and emissions.

A key issue for DNSPs to consider as a part of any accelerated LED rollout is that councils that have historically paid for LED rollouts should not cross subsidise (and pay again) for the accelerated LED rollout of other councils in the next regulatory period. We, and the DNSPs, considered this could be addressed through separate pricing to differentiate these circumstances.

Two different pricing approaches were proposed in response to this issue:

- Jemena, and AusNet, proposed to have separate council-funded and DNSP-funded LED prices. These were based on separate RABs and capital and operating expenditures. The lower council-funded LED prices reflected ongoing operating expenditure (opex) for the operation and maintenance of the LED lights given the capex had already been paid by councils. The DNSP-funded prices reflected both the capex required for the accelerated LED rollout and ongoing opex to operate and maintain the LED lights.
- CitiPower, Powercor and United Energy (CPU) proposed an Accelerated Replacement Charge for councils whose remaining legacy lights will be replaced with LED lights as part of CPU’s accelerated LED rollout. This charge treated all costs (capex and opex) as opex, to be charged from the year a council replaces a legacy light with a LED light and remaining in place until June 2031. The Accelerated Replacement Charge aimed to recover the full cost of the accelerated LED rollout by the end of the 2026–31 period.

Our final decisions assess each of these proposed approaches as set out below.

In its revised proposal, AusNet adopted a PTRM approach and separated the RAB into a partially-funded RAB (analogous to the council-funded RAB in the above text box) and AusNet-funded RAB. This aligned with Jemena’s initial proposal approach.

AusNet explained that ‘partially-funded’ referred to LED lights that AusNet had not fully funded the upgrade. This included cases where a council had historically co-funded (with AusNet) their lighting upgrades<sup>33</sup> or a developer had installed the light. Additionally, AusNet

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<sup>32</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see Forecast volumes).

<sup>33</sup> The AusNet final decision for public lighting in the 2021-26 period allowed AusNet to make a capital contribution payment to councils for each LED light replacements following engagement with councils.

explained that it used this term, where 100% of the upfront capital costs had been born by councils or developers but AusNet is responsible for ongoing operations and maintenance.<sup>34</sup>

AusNet used the building block model (adopting our PTRM) to derive its public lighting prices for the 2026–31 period. AusNet provided a separate model for its capex and opex to support the inputs in its public lighting PTRM. AusNet proposed capex of \$56.5 million related to the accelerated LED rollout in its revised proposal, compared to \$30.3 million in its initial proposal. This was due to the LED light volumes increasing from 23,359 (initial proposal) to 66,720 (revised proposal), which was a 186% increase.<sup>35</sup>

To derive the partially-funded LED prices, AusNet excluded the capex for the accelerated LED rollout and included only the relevant operating costs (including smart lighting cost if relevant). This ensures that councils who have previously funded their LED rollouts, and pay this charge, will not incur any capital costs from the AusNet-funded accelerated LED rollout for other councils. Additionally, the partially-funded LED tariff will avoid any cross-subsidisation if councils decide to fund the accelerated LED rollout themselves.

Having separate partially-funded and AusNet-funded RABs minimises cross-subsidisation between councils who have already funded their LED light replacements and the councils who will require AusNet to fund the replacements in the 2026–31 period.

All LED lights installed prior to July 2026 are treated as partially-funded, recognising that historically councils or developers largely self-funded LED replacements. In this regard, AusNet stated that partially-funded lights are subject to lower prices than AusNet-funded lights. That is, as AusNet would have already recovered capital contributions from the customers.<sup>36</sup> In AusNet's public lighting model, partially-funded prices are 56.6% lower than AusNet-funded prices, which establishes that councils who have already funded their LED upgrades will be paying lower charges.<sup>37</sup>

AusNet also explained that partially-funded volumes for the 2026–31 period were estimated based on lights replaced by councils historically prior to July 2026. It used an average annual growth rate of 2.8%, applied to the previously partially-funded lights in 2023, and then projected for the period from 2026–31 to calculate the volumes of partially-funded lights for the period 2026-31.

We sensitivity tested the impact of LED volumes moving from DNSP-funded to partially-funded. When we did this for 10% of LED lights, we found this led to a price decrease of 2.3% for DNSP-funded LED lights and a slight price increase of 0.5% for partially-funded LED lights. We therefore do not consider this volume forecasting risk is material.

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<sup>34</sup> AusNet, *response to information request #056 - Public Lighting (Partially funded, Poles and brackets, and unit rates) and ANS (Type 9 meter data services) – confidential*, January 2026, p. 1.

<sup>35</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 283; AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see 'Forecast Volumes').

<sup>36</sup> AusNet, *response to information request #056 - Public Lighting (Partially funded, Poles and brackets, and unit rates) and ANS (Type 9 meter data services) – confidential*, January 2026, pp. 1 - 3.

<sup>37</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Model*, February 2026 (see 'Forecast Revenue').

AusNet also responded to our information request and updated its modelling to account for lower contractor rates following its tendering process.<sup>38</sup> This saw the accelerated LED rollout capex decrease by 2.9% to \$52.2 million. We are satisfied these lower costs have been correctly incorporated.

We consider AusNet’s pricing for the accelerated LED rollout is reasonable and accept it in our final decision. This is because we consider it incorporates councils’ and the VGA’s request to accelerate the LED rollout in the upcoming period of 2026–31. It also addresses concerns around cross-subsidisation, particularly for historical LED rollouts already funded by councils. AusNet did this by using the AusNet-funded RAB, and prices, for the remaining LED replacements that it will fund across the 2026–31 period and a separate partially-funded RAB, and prices, where LED replacement has already occurred, meaning councils are only charged the ongoing opex costs associated with the LED lights. We consider this sufficiently removes cross-subsidisation issue so councils who have previously fully funded their LED rollouts will not be subsidising the costs of the LED rollout for other councils.

#### **14.2.4.3.1 Accelerated depreciation for legacy lights being replaced**

Our final decision is to accept AusNet’s revised proposal for the accelerated depreciation of legacy lights.

In its revised proposal, AusNet proposed accelerated depreciation for the legacy lights being replaced with LEDs over the 2026–31 period. Specifically, that the remaining life of the legacy lights is reduced to 8 years from 11.4 years.<sup>39</sup> AusNet stated that accelerated depreciation of legacy lights is needed to mitigate the stranded asset risk.<sup>40</sup>

In the standard control services context, the AER applied accelerated depreciation previously in circumstances where an asset is replaced before the end of its useful life. Given this, we consider that AusNet’s proposed approach of accelerated depreciation is reasonable for legacy lights being replaced with LED lights and accept it for our final decision. We note that the impact of the accelerated depreciation on average LED prices in 2026–27 is relatively immaterial (around 0.7% nominal).

#### **14.2.4.4 Smart lighting**

We consider AusNet’s revised proposal for smart lighting is reasonable. AusNet sufficiently engaged with its customers to develop its proposal, including the volumes of smart lighting controllers. Additionally, we consider AusNet’s proposed cost for its smart lighting controllers (with embedded type 9 meters) is reasonable as it benchmarks well against the other Victorian DNSPs.

In its revised proposal, following our draft decision and the VGA’s submission to its initial proposal, AusNet proposed to introduce smart lighting technology at an additional capex cost of \$25.7 million. This included implementation costs and the deployment of smart lighting

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<sup>38</sup> AusNet, *response to information request #088 - Type 9 meters and other modelling queries – confidential*, February 2026, p. 9.

<sup>39</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Model*, February 2026 (see PTRM input).

<sup>40</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 288.

controllers to all major road streetlights.<sup>41</sup> AusNet stated that it planned to commence its project to deliver the required changes for functional, compliant and efficient smart lighting in 2027–28. It noted that this is planned to commence after the completion of its Flexible Trading Arrangement compliance obligation project. AusNet also commenced a request-for-proposal process to establish a contract with a smart lighting and central management system (CMS) provider to provide this service to the customers.<sup>42</sup>

As noted above, to inform its revised proposal AusNet consulted with councils via an engagement forum and survey. It found that councils supported introducing smart lighting for major roads, including to benefit from lower energy consumption and energy savings.<sup>43</sup> AusNet stated that in this consultation, it indicated that smart lighting will reduce both lighting charges and energy costs. AusNet also noted that it met with the VGA after submitting its revised proposal and the discussion was positive<sup>44</sup> and that further consultation was not required as its revised proposal aligned with council expectations.<sup>45</sup>

AusNet also commenced two trials of smart lighting in the Manningham Council and the Bass Coast Shire Council with two different smart lighting vendors. The Bass Coast Shire Council trial included warm lighting LED replacements and some lights with active dimming.<sup>46</sup>

AusNet explained that smart lighting controllers are installed in public lights and provide both lighting control and metering functionality.<sup>47</sup>

AusNet further explained that a new Ministerial order would require Victorian distributors to provide type 9 metering services when requested by public lighting customers (and not for all public lights). It stated that the Responsible Minister for the Electricity Industry Act 2000 is expected to revoke the existing ministerial order of 12 October 2017 Order and issue a new order. Additionally, AusNet noted that 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 AusNet to provide type 9 metering.<sup>48</sup> Further that its councils wanted AusNet to provide type 9 meters across all their major streetlights.

In its submission to the AER, the VGA noted the evolving rules and obligations in relation to type 9 meters.<sup>49</sup> It considered that it is in the interests of public lighting customers that all Victorian DNSPs are able to offer type 9 metering services to customers. Additionally, the VGA stated the costs of establishing DNSP systems should not be solely allocated to the

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<sup>41</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 283.

<sup>42</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 285.

<sup>43</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 278.

<sup>44</sup> AusNet, *response to information request #056 - Public Lighting (Partially funded, Poles and brackets, and unit rates) and ANS (Type 9 meter data services) – confidential*, January 2026, p. 6.

<sup>45</sup> AusNet, *response to information request #088 - Type 9 meters and other modelling queries – confidential*, February 2026.

<sup>46</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 278.

<sup>47</sup> AusNet, *response to information request #088 - Type 9 meters and other modelling queries – confidential*, February 2026.

<sup>48</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 284.

<sup>49</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, p. 2.

public lighting costs, as they consider type 9 metering supports a range of services in addition to public lighting. The VGA also noted the current structure of tariffs associated with smart lighting has been negotiated with customers and requested the AER did not make significant changes to smart lighting or type 9 tariff structures without further consultation with customers.

We note that our final decision is to classify type 9 metering services as alternative control services (see our final decision in section 11.3.2 of Attachment 11 - Service Classification). Given this, we consider the type 9 metering costs proposed by AusNet are appropriately included in these public lighting costs, should be reflected in public lighting prices, and under the public lighting price cap control mechanism.

AusNet proposed total volumes of 55,283 smart lights across the 2026–31 regulatory period.<sup>50</sup> These include LED 18W and LED 14W opt-in smart lighting and L1, L2 and L4 light types. Opt-in smart lighting is further discussed in section 14.2.4.4.1.

To derive the unit cost of smart controllers, AusNet aggregated the volumes of all smart controllers and divided them by average cost across the initial quotes it had received from three vendors in the request-for-proposal process it had commenced.<sup>51</sup> The derived smart lighting controller unit cost is comparable to the unit cost proposed by Jemena in its public lighting proposal and is lower than the unit cost proposed by CPU.

Overall, we consider AusNet’s smart lighting proposal addresses councils’ feedback to introduce smart lighting for major roads. Further, that the smart lighting costs and volumes proposed by AusNet are reasonable.

#### **14.2.4.4.1 Opt-in smart lighting for minor roads**

We consider AusNet’s revised proposal ‘opt-in smart lighting’ charge for minor roads is reasonable. This is because we agree with AusNet’s approach for deriving the charge which minimises cross subsidisation. We note that this involves including / not including smart lighting costs that, as per the previous section, we consider are reasonable.

In its revised proposal, AusNet introduced a separate tariff for ‘opt-in smart lighting’ for minor roads for councils to choose from following our draft decision and the VGA’s submission to its initial proposal.<sup>52,53</sup> AusNet created a separate tariff for the ‘opt-in smart lighting’ service to eliminate any cross subsidisation from councils who do not choose this service.

AusNet proposed a total volume of 3720 LED 18W and LED 14W opt-in smart lights over the regulatory period of 2026–31, out of which 920 are partially-funded lights and 2800 are

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<sup>50</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see Capital Expenditure).

<sup>51</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see ‘Capital Expenditure tab’).

<sup>52</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Model*, February 2026.

<sup>53</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, p. 3.

AusNet-funded lights.<sup>54</sup> It stated that the estimated partially-funded volumes were based on its second largest council indicating strong interest in limited deployments on minor roads in selected suburbs.<sup>55</sup>

In its revised proposal, AusNet’s proposed prices for LED 18W and LED 14W opt-in smart lighting for minor roads for 2026–27 are 20% higher than the existing LED 18W and LED 14W light prices.<sup>56</sup> These are based on the smart lighting costs for minor roads being shared between LED 18W and LED 14W opt-in smart lights.<sup>57</sup>

AusNet stated that opt-in smart lighting prices for minor roads were established to be higher than the equivalent non-smart lighting prices due to the additional licence and software costs.<sup>58</sup> It noted that a larger take-up of opt-in smart lighting on minor roads would result in lower unit costs from its vendors and lower unit costs of digital investment in the future.

Tables 14.2 and 14.3 below summarise the AusNet’s LED 18W and LED 14W prices with and without smart lighting.<sup>59</sup>

**Table 14.2 Price comparison of AusNet’s proposed minor road prices for its LED 18W tariff with smart lighting (opt-in charge) and LED 18W without smart lighting costs (\$2026-27)**

Tariff	LED 18W with smart lighting (Opt-in)	LED 18W without smart lighting (Opt-in)	Price difference (%)
AusNet funded	\$103.19	\$85.99	-16.7%
Partially-funded	\$44.71	\$37.25	-16.7%

<sup>54</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see ‘Forecast Volumes’!K24:N24; ‘Forecast Volumes’!K25:N25; ‘Forecast Volumes’!K33:N33; ‘Forecast Volumes’!K34:N34).

<sup>55</sup> AusNet, *response to information request IR#088 - Type 9 meters and other modelling queries – confidential*, February 2026, p. 8.

<sup>56</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Model*, February 2026 (see supporting information tab).

<sup>57</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see capital expenditure tab).

<sup>58</sup> AusNet, *response to Information request IR#088 - Type 9 meters and other modelling queries – confidential*, February 2026, p. 10.

<sup>59</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Model*, February 2026 (see ‘Forecast revenues’!G71; ‘Forecast revenues’!G72; ‘Forecast revenues’!G80; ‘Forecast revenues’!G81).

**Table 14.3 Price comparison of AusNet’s proposed minor road prices for its LED 14W tariff with smart lighting (opt-in charge) and LED 14W without smart lighting costs (\$2026-27)**

Tariff	LED 14W with smart lighting (Opt-in)	LED 14W without smart lighting (Opt-in)	Price difference (%)
AusNet funded	\$108.45	\$90.37	-16.7%
Partially-funded	\$46.98	\$39.15	-16.7%

In its submission the VGA noted that AusNet had resolved the business case for smart lighting in residential areas by creating an “Opt-in smart lighting” tariff for the main residential light type. VGA noted this gives customers an option to choose smart lighting for residential areas, while eliminating cross subsidisation from councils who do not choose this service.<sup>60</sup>

We consider AusNet’s approach to calculating its LED 18W and LED 14W tariffs (with and without smart lighting costs) is reasonable. By having two separate LED 18W and LED 14W prices, customers have the option to choose whether to ‘opt-in’ to install smart lighting for its residential roads and removes any cross subsidisation from councils who do not choose this service. We also note that these charges involve including / not including smart lighting costs that, as per the previous section, we consider are reasonable.

#### 14.2.4.5 Network overhead rates

We consider AusNet’s proposed overhead rate of 4.0% is reasonable as it is derived from the actual network overhead cost and is also lower than network overhead rates we have accepted for other networks.

AusNet proposed a (capital) network overhead rate of 4.0% in its revised proposal.<sup>61</sup> These network overhead costs for AusNet are reported in the Annual Information Order (AIO) for 2024–25. Overheads account for 4.0% of the total capex incurred by AusNet in this year.<sup>62</sup> It applied this overhead rate to calculate the overhead costs for the 2026–31 regulatory period. These are included in the total capex forecasted by AusNet for the period 2026–31.<sup>63</sup>

Initially it did not provide any reasoning to support the introduction of this overhead rate. In response to our information request, it stated that as per its cost allocation methodology based on the cost drivers identified with each cost centre, overheads are calculated monthly and allocated to the business units, including public lighting. AusNet provided a detailed breakdown of its public lighting capital expenditure incurred according to specific public

<sup>60</sup> Victorian Greenhouse Alliances, *Submission - Victorian electricity distribution proposals 2026-31*, January 2026, p. 3.

<sup>61</sup> AusNet, *ASD - EDPR Revised Proposal 2026-31*, December 2025, p. 283.

<sup>62</sup> AusNet, *AusNet Services (ED) 2024–25 Annual Information Order*, November 2025 (see ‘8.2 Capex’, ‘8.2.3 – Capex Other – Including Total Capital Contributions’).

<sup>63</sup> AusNet, *ASD - EDPR 2026-31 - ACS - Public Lighting Inputs Model*, February 2026 (see ‘Capital Expenditure’).

lighting projects including total overheads for the year 2024–25.<sup>64</sup> Total overheads accounted for 4.0% of these costs which AusNet applied to its capex in its public lighting model for the 2026–31 period.

We have previously accepted overhead costs in public lighting decisions, for example in the 2025–30 final decision models for Energex and Ergon Energy we included a capital overhead rate. We also accepted overheads rates in the final decisions 2024–29 for Ausgrid and Endeavour.<sup>65</sup> We note these are significantly higher than what was proposed by AusNet.

We consider the overhead rate proposed by AusNet is reasonable as it reflects the actual cost incurred by AusNet in 2024–25. Additionally, AusNet also provided disaggregated information on the costs incurred across all public lighting projects in its region for 2024–25 and the calculation to derive the overhead rate of 4.0%. The proposed rate is also lower than what we have accepted in previous decisions.

As a result, our final decision is to accept AusNet’s overhead rate of 4.0%.

#### **14.2.4.6 Updates for more mechanical issues**

We have updated the following inputs in AusNet’s public lighting model. These updates are consistent with our final decision on other relevant aspects of AusNet’s revised proposal.

##### **Rate of Return**

Our final decision substitutes the rate of return (WACC) inputs in AusNet’s revised proposal public lighting models to be consistent with our final decision on AusNet’s rate of return (see section 2.2 of the Overview).

##### **Inflation**

Our final decision substitutes the forecast inflation input for the 2026–27 year in AusNet’s revised proposal public lighting models with the ABS actual inflation for December 2025, consistent with our final decision on AusNet’s control mechanisms (see Attachment 12).

##### **Labour escalators**

Our final decision substitutes the labour price growth forecasts in AusNet’s revised proposal public lighting models to be consistent with our final decision on AusNet’s operating expenditure (see Attachment 3).

#### **14.2.4.7 Introducing new services during a regulatory control period**

Our final decision is that AusNet must price any new public lighting services (that are the same or similar to existing services) it introduces during the 2026–31 period according to the

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<sup>64</sup> AusNet, *response to information request IR#088 - Type 9 meters and other modelling queries – confidential*, 23 February 2026, pp. 9 - 10.

<sup>65</sup> Ausgrid, *AER - Final decision - Ausgrid distribution determination 2024–29 - Public lighting model*, April 2024; Endeavour, *AER - Final decision - Endeavour Energy distribution determination 2024–29 - Public lighting pricing model*, April 2024; Energex, *AER - Final Decision - Energex - 2025-30 Distribution determination revenue proposal - 11.01 - Public Lighting Capex and Opex Forecasting Model*, April 2025; Ergon Energy, *AER - Final Decision - Ergon Energy - 2025-30 Distribution determination revenue proposal - 11.01 - ACS Public Lighting Capex and Opex Forecasting Model*, April 2025.

control mechanism for quoted services. AusNet should only introduce new services because customers want them (customer driven). In proposing new services, we require that AusNet demonstrates customer consultation and support for such prices and services.

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

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

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

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

## Shortened forms

Term	Definition
ACS	Alternative Control Services
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
ANS	Ancillary network services
API	Application programming interface
Capex	capital expenditure
CMS	Central Management System
CAM	Cost Allocation Method
CPI	Consumer Price Index
CPU	CitiPower, Powercor and United Energy
DNSP	distribution network service provider
EPV	Elevated platform vehicle
ESCV	Essential Services Commission Victoria
F&A	framework and approach
HPS	High pressure sodium
LED	Light Emitting Diode
MV	Mercury Vapour
NEL	National Electricity Law
NEM	National Electricity Market
NER or the rules	National Electricity Rules
Opex	operating and maintenance expenditure
PE cell	Photoelectric cell
PTRM	Post-Tax Revenue Model
RAB	Regulatory Asset Base
RBA	Reserve Bank of Australia
RIN	Regulatory Information Notice
RRG	Reset Reference Group
VGA	Victorian Greenhouse Alliances
WACC	Weighted Average Cost of Capital