

Final decision

Jemena electricity distribution determination
1 July 2026 – 30 June 2031

Attachment 15 – Metering services

April 2026

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15 Metering services

This attachment sets out our final decision for the 2026–31 regulatory control period (period) for metering services provided by Jemena. These are alternative control services and additional to the other alternative control services we regulate (ancillary network services and public lighting services which are set out in Attachment 14). We are responsible for setting revenues for these services as they operate under a revenue cap form of control, consistent with our final position in our Framework & Approach paper,¹ and as set out in Attachment 11. We are also responsible for setting price caps for metering exit fees.²

Metering services include maintenance, reading, data services, and the recovery of capital expenditure (capex) related to metering assets. Unlike other jurisdictions in the National Electricity Market (NEM), Victorian distributors are the monopoly providers of most metering services to small customers. In the rest of the NEM metering services are contestable, and distributors are unable to install new meters.

Metering assets are used to measure electrical energy flows at a point in the network to record consumption for the purposes of billing. Not all customers have the same type of meter. There are different types of meters which each measure electricity usage in different ways:³

- Type 1 to 4 meters have a remote communication ability. We refer to these as smart meters.
- Type 5 meters are interval meters and Type 6 meters are accumulation meters. We refer to these as legacy meters, which are being progressively replaced by smart meters.
- Type 7 metering services are unmetered connections with a predictable energy consumption pattern (for example, public lighting connections). Type 7 metering services are fee-based ancillary network services, which is discussed in Attachment 14.
- Type 8 and 8A metering services for secondary settlement points and type 9 metering services for public lighting and other street furniture (e.g., kerbside EV charging) have recently been introduced through the AEMC’s “Unlocking CER benefits through flexible trading” rule change.⁴ Type 9 metering services for public lighting are classified as alternative control – public lighting services,⁵ which is discussed in Attachment 14.

¹ AER, *Final Framework and Approach – Victorian electricity distribution determinations 2026–31*, July 2024, pp. 12–13.

² Metering exit fees recover the written down value, as well as the efficient costs of removing and disposing, of meters. This is discussed in Appendix A, section A.8.

³ AER, *Final Framework and Approach – Victorian electricity distribution determinations 2026–31*, July 2024, pp. 32–33.

⁴ AEMC, *National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024*, August 2024.

⁵ This takes into account that Victorian distributors may be required to provide Type 9 metering services upon request by a public lighting customer in relation to a public lighting asset, pursuant to an Order made under sections 15A and 46D of the Victorian *Electricity Industry Act 2000* as in force from time to time. See Attachment 11 for further detail.

More information in relation to the classification of metering services, including the new Type 9 metering services, can be found in Attachment 11.

Distributors also provide some non-routine metering services which are charged to customers when requested, such as meter disconnection. These non-routine metering services are fee-based ancillary network services, discussed in Attachment 14.

In Victoria, legislation redefines most smart meters as type 5 and 6 meters for the purpose of distributors provision of metering services.⁶ This means that we consider expenditure related to smart meters as a part of regulated metering services (despite these services being classified as unregulated services).

In this attachment, we:

- Set out our final decision (section 15.1), which draws on the reasons in Appendix A.
- Summarise Jemena's revised proposal (section 15.2).
- Set out the reasons for our final decision (Appendix A).

15.1 Final decision

Our final decision is to not accept Jemena's revised metering proposal for the 2026–31 period as submitted. Most significantly, this is because we do not accept Jemena's revised proposal in relation to the proactive meter replacement in the 2026–31 period. While we consider a proactive meter replacement approach is appropriate, we do not consider Jemena justified its proposed proactive replacement volumes or costs. Our final decision maintains the proactive meter replacement program in the 2026–31 period that was in our draft decision.

Our final decision is to:

- Substitute our total annual revenue requirement (ARR) and to apply our smoothing profile. The smoothed ARR reflects mechanical updates to forecast inflation and inputs related to the 2022 rate of return instrument and weighted average cost of capital (WACC), as well as our substituted:
 - Opening metering regulatory asset base (RAB), including revisions to Jemena's estimated metering capex for the 2025–26 year.
 - Forecast metering capex specifically for revisions to Jemena's proactive replacement volumes and associated activities and costs (wasted visits, panel and wire remediation, customer notifications, site scoping, and project management), recovery of meter disposal costs, and to apply mechanical updates to forecast inflation and labour cost escalation.
 - Forecast metering operating expenditure (opex) specifically for the removal of Jemena's meter disposal costs as an opex step change, and to apply mechanical updates to forecast inflation and labour cost escalation.

⁶ Victorian Government, *Order-In-Council, No. S 346*, October 2017, cl. 2(b); Department of Primary Industries, *Minimum AMI Functionality Specification (Victoria) v1.2*, September 2013; Department of Primary Industries, *Minimum AMI Service Levels Specification (Victoria) v1.1*, September 2008.

- Substitute our metering exit fee price caps to apply mechanical updates to forecast inflation and inputs related to the 2022 rate of return instrument and WACC, as well as our substituted RAB, capex and opex forecasts.

In terms of the smoothed ARR, this is 15.2% lower than what Jemena included in its revised proposal. The reasons for our final decision and each of the above positions are provided at Appendix A.

15.2 Overview of Jemena’s revised proposal

Jemena did not accept our draft decision. Jemena’s revised proposal:

- Accepted our draft decision position to proactively replace aged meters rather than replace meters upon inspection or failure.⁷
- Rejected our draft decision capex for the proactive replacement program,⁸ proposing higher replacement volumes and capex, including new activities and related capex to support proactive replacement program.⁹
- Rejected our draft decision communications and IT capex.¹⁰
- Added significant estimated historical capex in the 2025–26 period.¹¹

15.2.1 Metering revenue

Jemena’s revised proposal was for a total ARR for metering services of \$147.0 million (\$2025–26, smoothed) for the 2026–31 period.¹² This is an increase of \$30.9 million (\$2025–26) or 26.6% from our draft decision total ARR of \$116.1 million (\$2025–26, smoothed) for this period.¹³ To determine its proposed revenue requirement, Jemena used the AER’s standardised metering models which apply the building block approach to determine allowable revenue. Jemena’s proposed ARR, and the building blocks that comprise the ARR, are set out in Table 15-1.

We provide the building block and ARR data in Table 15-1 as real \$2025–26 to allow for better comparison to the 2021–26 period. We generally provide this data in \$nominal as we consider it is a better representation of revenues that will be recovered from customers. Data in Appendix A is presented in \$nominal, and proposal data between this table and the appendix tables will differ.

⁷ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, p. 4.

⁸ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, p. 5.

⁹ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 14–17.

¹⁰ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 17–22.

¹¹ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, p. 9.

¹² Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

¹³ AER, *Metering PTRM – Draft decision – Jemena distribution determination 2026–31*, September 2025.

Table 15-1 Jemena’s revised proposal building blocks and ARR (\$million, 2025–26)

Category	2021–26 final decision	2026–31 proposal	2026–31 draft decision	2026–31 revised proposal	Change from draft decision
Return on capital	13.7	20.4	20.8	33.1	59.3%
Return of capital (regulatory depreciation)	50.9	41.4	39.5	50.4	27.8%
Operating expenditure	62.0	77.2	56.2	64.6	15.0%
Net tax allowance	4.6	0.2	0.5	-	-100.0%
ARR (unsmoothed)	131.1	139.2	116.9	148.1	26.7%
ARR (smoothed)	131.1	138.8	116.1	147.0	26.6%

Source: AER, *Final Decision – Jemena distribution determination – 2021–26 – ACS – Metering – Post-tax revenue model*, April 2021; Jemena, *JEN – Att 10-02M ACS Metering PTRM*, January 2025; AER, *Metering PTRM – Draft decision – Jemena distribution determination 2026–31*, September 2025; Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

15.2.2 Capital expenditure

Jemena’s revised proposal was for a total capex for metering services of \$202.0 million (\$2025–26) in the 2026–31 period.¹⁴ This is an increase of \$88.7 million (\$2025–26) or 78.3% from our draft decision total capex of \$113.3 million (\$2025–26) for this period.¹⁵

Consistent with Jemena’s initial proposal, and our draft decision, the revised proposal capex included expenditure for installations of new meters for customer growth, replacement of meters on fault or failure, installation and replacement of communication equipment to support remote connection to meters, and IT capability to manage metering data.

In addition to these routine expenditures, Jemena’s revised proposal included \$124.3 million¹⁶ (\$2025–26) in the 2026–31 period to proactively replace meters that have reached end of life and are at an increased risk of failure.¹⁷ This expenditure category is also consistent with the initial proposal, but is a material and new capex category compared to previous regulatory periods, reflecting that this is the first time smart meters have reached their end of life and will need replacement.

The proposed total capex reflected Jemena’s material adjustment to its proposed proactive replacement program, and additional revisions to its communication and information

¹⁴ Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

¹⁵ AER, *Metering PTRM – Draft decision – Jemena distribution determination 2026–31*, September 2025.

¹⁶ This does not include project resourcing expenditure characterised as IT capex in Jemena’s revised proposal (see section A.5.1.5), or meter disposal expenditure characterised as opex in Jemena’s revised proposal (see section A.5.1.6). When these are added, Jemena proposed total proactive meter replacement capex of \$146.8 million (\$2025–26) – see Table A-5.

¹⁷ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

technology capex. Jemena accepted the other meter related capex positions of our draft decision, updating its forecast volumes of metering activities, actual recent metering activities, and applied mechanical updates to forecast inflation and labour cost escalation. Jemena’s total proposed capex for the 2026–31 period is set out in Table 15-2.

Table 15-2 Jemena’s revised capex proposal (\$million, 2025–26)

Category	2021–26 final decision	2026–31 proposal	2026–31 draft decision	2026–31 revised proposal	Change from draft decision
Proactive replacement		43.9	62.4	124.3	99.1%
Growth	14.0	19.4	19.3	20.3	5.6%
Reactive replacement		8.6	8.5	9.3	8.3%
Communications	4.6	19.6	11.5	17.7	54.4%
IT	6.2	16.7	5.7	23.5	311.8%
Other		5.3	5.3	5.7	7.3%
Equity raising costs	0.2	0.4	0.6	1.2	96.9%
Total capex (including SCS allocations)	25.0	114.0	113.3	202.0	78.3%
Total capex (excluding SCS allocations)	25.0	105.1	113.3	202.0	78.3%

Note: In the 2021–26 final decision we did not have separate allowances for growth and reactive replacement. Categorized expenditure is presented in this table inclusive of expenditure allocated to standard control services (SCS). Jemena’s initial proposal included erroneous allocations of expenditure to SCS, as reflected in this table – remaining tables in this Attachment present only one total as there are no SCS allocations.

Source: AER, *Final Decision – Jemena distribution determination – 2021–26 – Capex model*, April 2021; AER, *Final Decision – Jemena distribution determination – 2021–26 – ACS – Metering – Post-tax revenue model*, April 2021; Jemena, *JEN – Att 10-03M ACS Metering opex and capex model*, January 2025; Jemena, *JEN – Att 10-02M ACS Metering PTRM*, January 2025; AER, *Metering expenditure model – Draft decision – Jemena distribution determination 2026–31*, September 2025; AER, *Metering PTRM – Draft decision – Jemena distribution determination 2026–31*, September 2025; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025; Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

15.2.3 Operating expenditure

Jemena’s revised proposal was for total opex for metering services of \$64.6 million (\$2025–26) in the 2026–31 period.¹⁸ This is an increase of \$8.4 million (\$2025–26) or 15.0% from our draft decision total opex of \$56.2 million (\$2025–26) for this period.¹⁹

Jemena developed its opex forecast using the ‘base-step-trend’ method, consistent with the standardised metering models and our standard approach for SCS. Jemena’s revised

¹⁸ Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

¹⁹ AER, *Metering PTRM – Draft decision – Jemena distribution determination 2026–31*, September 2025.

proposal included a base opex using historical opex (2024–25) with no adjustments, a trend that included metering growth and real price changes in labour costs, and step changes to fund the disposal of proactively replaced meters and the enhancing of IT systems capacity.²⁰

These proposed amounts reflected that Jemena accepted the positions in our draft decision, with material updates for its actual opex in the base year (2024–25), increases in the meter disposals step change reflecting proposed higher proactive replacement volumes, forecast inflation and labour cost escalation. Jemena’s proposed opex for the 2026–31 period is set out in Table 15-3.

Table 15-3 Jemena’s revised proposal opex (\$million, 2025–26)

Category	2021–26 final decision	2026–31 proposal	2026–31 draft decision	2026–31 revised proposal	Change from draft decision
Base opex	57.5	47.9	47.6	54.0	13.5%
Trend: Output growth	2.8	3.3	3.2	2.7	-16.3%
Trend: Price growth	1.5	1.2	2.1	2.3	13.3%
Total trend	4.4	4.6	5.5	5.2	-5.2%
Step change: Distributed Intelligence		21.6	-	-	
Step change: Meter disposals		2.8	2.8	5.0	76.9%
Step change: IT systems enhancements		0.1	0.1	0.1	-0.8%
Total step changes	-	24.5	2.9	5.1	74.4%
Debt raising costs	0.2	0.2	0.2	0.3	59.1%
Total opex	62.0	77.2	56.2	64.6	15.0%

Note: Trend components will not sum to total trend due to compounding effects. Some movements may not appear in dollar values due to rounding.

Source: AER, *Final decision – Jemena – 2021–26 – Metering Opex Model*, April 2021; AER, *Final Decision – Jemena distribution determination – 2021–26 – ACS – Metering – Post-tax revenue model*, April 2021; Jemena, *JEN – Att 10-03M ACS Metering opex and capex model*, January 2025; Jemena, *JEN – Att 10-02M ACS Metering PTRM*, January 2025; AER, *Metering expenditure model – Draft decision – Jemena distribution determination 2026–31*, September 2025; AER, *Metering PTRM – Draft decision – Jemena distribution determination 2026–31*, September 2025; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025; Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

15.2.4 Stakeholder views

We received two submissions on metering in response to Jemena’s revised proposal and our draft decision.

²⁰ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

A submission from Jemena’s Energy Reference Group supported Jemena’s revised proposal proactive replacement approach for its operational efficiency and cost saving relative to the initial proactive replacement approach which was more condition based. This submission did not comment on the details of this proposal, including additional expenditure to support the proactive replacement program.²¹

A submission from Consumer Challenge Panel Sub-Panel 32 (CCP32) noted that Jemena’s revised proposal was supported by Jemena’s Energy Reference Group.²²

15.3 Assessment approach

Metering services are classified as alternative control services in Victoria.²³ The regulatory framework for assessing alternative control services is less prescriptive than for SCS. As such, we have a greater discretion under the National Electricity Rules (NER) in assessing proposals for metering services compared to SCS. However, where possible we seek to apply similar approaches as applied to SCS. In considering Jemena’s revised proposal we have had regard to:

- The application of our standardised metering model templates for metering expenditure, management of the regulated asset base, smoothing of allowed revenues, and setting of price caps where appropriate.
- An assessment of the prudent and efficient costs of providing metering services, having regard to historical expenditure, our previous determinations, benchmarked costs against other distributors, and against independent data and information as relevant.
- The wider regulatory context, including the existence or possibility of competition across metering services provided.
- Consistency of approach with other regulated services, particularly SCS, the current applicable determination, our recent determinations for other networks, and across the current proposals being assessed.
- Stakeholder engagement undertaken on the proposal, stakeholder feedback provided in response to the proposal or our issues papers and if / how it has been incorporated into proposals.
- Any other factors we considered relevant to our assessment.

²¹ Jemena’s Energy Reference Group, *Submission – Jemena revised proposal 2026–31*, December 2025, pp. 5–6.

²² CCP32, *Submission – Jemena electricity distribution proposal 2026–31*, January 2026, pp. 12–13.

²³ AER, *Final Framework and Approach – Victorian electricity distribution determinations 2026–31*, July 2024, p. 32.

A Reasons for final decision

A.1 Annual revenue requirement

Our final decision is for a total ARR for metering services of \$135.2 million (\$nominal, smoothed) for Jemena over the 2026–31 period.²⁴ This is a decrease of \$24.3 million (\$nominal) or 15.2% from Jemena’s revised proposal total ARR of \$159.5 million (\$nominal, smoothed) for this period.²⁵

Our final decision applies a flat real price path for years 2–5 and is done by applying 0% X factors in these years. This is consistent with our draft decision and means that any real price movement is applied in the 2026–27 year. We consider this provides the most certainty for customers and will deliver material real price decreases as soon as possible, including in the context of the impact of the increase of capex for proactive replacements.

Our final decision ARR and X factors are set out in Table A-1.

Table A-1 Final decision metering total ARR (\$million, nominal)

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Revised proposal – unsmoothed	21.0	26.3	31.7	37.7	45.0	161.7
Revised proposal – smoothed	27.6	29.6	31.8	34.0	36.5	159.5
Revised proposal – X factors	0.3%	-4.4%	-4.4%	-4.4%	-4.4%	
Final decision – unsmoothed	19.9	22.9	26.4	31.1	37.1	137.4
Final decision – smoothed	25.7	26.3	27.0	27.7	28.5	135.2
Final decision – X factors	7.5%	-	-	-	-	

Note: A positive X factor reflects a reduction in revenues.

Source: Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025; AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

The AER’s post tax revenue model (PTRM) calculates the ARR for each year of the 2026–31 period. This unsmoothed ARR for each year is then smoothed (as in Table A-1) and is the sum of the building block costs, with smoothed and unsmoothed ARR having the same net present value. Table A-2 shows the component and total building block costs that form the ARR and where discussion on the components that drive these costs can be found within this appendix.

²⁴ AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

²⁵ Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

Table A-2 Final decision metering building block components and total AAR (unsmoothed, \$million, nominal)

Building block component	Total – revised proposal	Total – final decision	Sections discussed
Return on capital	36.4	27.0	A.3, A.5
Return of capital (regulatory depreciation)	55.3	46.0	A.4, A.5
Operating expenditure	70.1	64.2	A.6
Net tax allowance	-	0.1	-
Revenue requirement	161.7	137.4	A.1

Note: Return on and of capital are products of proposed capex, discussed at section A.5.

Source: Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025; AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

A.2 Regulatory asset base

Our final decision accepts Jemena’s revised proposal RAB roll forward and calculation method. However, we substitute values for revised historical inputs, our final decision capex inputs, updated inflation, WACC inputs and other updated inputs related to the rate of return.

The value of the RAB impacts Jemena’s revenue requirement, and the price consumers ultimately pay. All other things being equal, a higher RAB increases both the return on capital and return of capital (depreciation) components of the distribution determination and therefore results in higher prices. Our final decision is set out in Table A-3 and shows a lower closing RAB at the end of the 2026–31 period compared to Jemena’s revised proposal. This reflects that our final decision removes Jemena’s proposed costs for its legacy meter replacement program in 2025–26 (discussed below), and our final decision capex for 2026–31, detailed in section A.5 below.

Table A-3 Final decision summary of metering asset roll forward (\$million, nominal)

Summary of asset roll forward	Revised proposal	Final decision
Opening RAB on 1 July 2026	54.5	46.2
Net capex	223.5	172.3
Regulatory depreciation	-70.9	-57.1
Inflation on opening RAB	15.6	11.1
Forecast closing RAB on 30 June 2031	222.7	172.5

Source: Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025; AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

We used the roll-forward model (RFM) to roll forward Jemena’s RAB from the 2021–26 period to arrive at an opening RAB value as of 1 July 2026. This included application of a bespoke RFM template to factor in the transition to financial year regulation which occurred

in 2021. The roll-forward calculation accounts for inflation, the WACC, actual net capex and actual depreciation.

Jemena included in its revised proposal capex amounts for 2025–26 related to program support for the replacement of legacy meters. This included an additional \$8.2 million (\$2025–26) in capex for 2025–26 to support the removal of 3,912 legacy meters before the 2026–31 period.²⁶ While our draft decision accepted the forecast of zero legacy meters requiring replacement in the 2026–31 period, we did not consider any additional expenditure to support this program as it was not included in Jemena’s initial proposal. We do not consider the recovery of this expenditure to be appropriate as this project was not considered or approved for the 2021–26 period. Our final decision removes this expenditure, and we expect Jemena to seek recovery through our metering cost pass-through framework, with appropriate support for the necessity, prudence, and efficiency of this expenditure (as set out in Attachment 12 – Control Mechanisms).

The opening RAB at the beginning of the 2026–31 period may also be adjusted to reflect any changes in the use of the assets, with only assets used to provide metering services to be included in the RAB. No such adjustments have been made for the 2026–31 period.

The PTRM used to calculate the ARR for the 2026–31 period generally adopts the same RAB roll-forward approach as the RFM, with the forward-looking annual adjustments to the RAB being based on forecasts. These will then be updated for actual amounts in the RFM as a part of our assessment for the 2031–36 period.

A.3 Rate of return

Our final decision on metering services applies the same rate of return (WACC) as applied throughout our determination, as set out in section 2.2 of the Overview to this final decision. This states that the final decision uses the 2022 rate of return instrument. This includes updated rates for return on debt, inflation, and equity raising costs.

A.4 Regulatory depreciation

Our final decision accepts Jemena’s proposed straight-line depreciation approach, with substitute values for the revised 2025–26 capex, our final decision capex inputs, updated inflation, WACC inputs, and other updated inputs related to the rate of return. This includes the application of our standardised RFM, PTRM, and depreciation tracking model templates.

A.5 Capital expenditure

Our final decision is for a total capex for metering services of \$154.8 million (\$2025–26) for Jemena over the 2026–31 period.²⁷ This is a decrease of \$47.2 million (\$2025–26) or 23.4% from Jemena’s revised proposal total capex of \$202.0 million (\$2025–26) for this period.²⁸ Our final decision capex for the 2026–31 period is set out in Table A-4, along with a

²⁶ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

²⁷ AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

²⁸ Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

comparison against Jemena’s revised proposal capex for that period. Some of our final decision capex includes amounts that have been moved from opex.

Our final decision does not accept Jemena’s revised proposal capex for the proactive meter replacement program over the 2026–31 period (see section A.5.1 where the reasons for this are discussed). This is the main driver of our lower total capex for the period as compared to Jemena’s revised proposal. Beyond this, our final decision accepts Jemena’s revised proposal capex for non-proactive replacement categories, which included:

- Updated forecast meter growth and replacement activity volumes for the 2026–31 period considering updated 2024–25 actual data
- Communications capex that Jemena accepted from our draft decision²⁹, or that Jemena revised and sufficiently justified as prudent and / or efficient, including
 - Poles for communications assets where power is underground and public lighting infrastructure is not accessible to Jemena due to being council-owned³⁰
 - Lifecycle replacement rates for communications assets that better reflect physical and standard lives of these assets, and obsolescence driven by increasing data capabilities and data security standards³¹
- IT capex (other than the proactive replacement program resourcing capex categorised as IT capex) that Jemena accepted from our draft decision, with an additional \$0.4 million for additional data services and capability that we consider prudent.³²

Our draft decision provides detail on our consideration of these non-proactive replacement components of Jemena’s proposed capex³³ which are largely unchanged in the revised proposal.

Our final decision also substitutes values for updated inflation, WACC inputs, and other updated inputs related to the rate of return.

²⁹ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 17–20.

³⁰ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 17–18.

³¹ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 18–20.

³² Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, p. vii.

³³ AER, *Attachment 15 – Metering services – Draft decision – Jemena distribution determination 2026–31*, September 2025, pp. 10–21.

Table A-4 Final decision capex (\$million, 2025–26)

Category	2026–31 revised proposal	2026–31 final decision	Change from revised proposal	Final decision proportion of total capex
Proactive replacement	124.3	94.6	-23.9%	61.1%
Growth	20.3	20.5	0.6%	13.2%
Reactive replacement	9.3	9.3	0.1%	6.0%
Communications	17.7	17.8	0.2%	11.5%
IT	23.5	6.1	-73.9%	4.0%
Other	5.7	5.7	0.0%	3.7%
Equity raising costs	1.2	0.9	-24.8%	0.6%
Total capex	202.0	154.8	-23.4%	

Note: Some movements may not appear in dollar values due to rounding. Revised proposal IT capex includes proactive replacement program resourcing capex that has been reallocated in the final decision proactive replacement capex. Final decision proactive replacement capex also includes meter disposal costs that were treated as an opex step change in the revised proposal.

Source: Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025; Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025; AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026; AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

A.5.1 Proactive meter replacement

Our final decision is for proactive meter replacement capex for metering services of \$94.6 million (\$2025–26) for Jemena over the 2026–31 period.³⁴ This is a decrease of \$29.7 million (\$2025–26) or 23.9% from Jemena’s revised proposal proactive replacement capex of \$124.3 million³⁵ (\$2025–26) for this period.³⁶ Our final decision capex for the proactive meter replacement program for the 2026–31 period is set out in Table A-5, along with a comparison against Jemena’s revised proposal capex for that period.

Our final decision maintains the proactive age-based approach to Jemena’s meter replacement program in the 2026–31 period that was in our draft decision and Jemena’s revised proposal. However, our final decision does not accept Jemena’s proactive replacement proposal as submitted. We have adjusted capex to reinstate key elements of the draft decision where Jemena has not demonstrated that the proposed increases are justified. In particular, our final decision reinstates the draft decision replacement volumes which we consider sufficient to manage compliance risks under Jemena’s Metering Asset

³⁴ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

³⁵ This does not include project resourcing expenditure characterised as IT capex in Jemena’s revised proposal (see section A.5.1.5), or meter disposal expenditure characterised as opex in Jemena’s revised proposal (see section A.5.1.6). When these are added, Jemena proposed total proactive meter replacement capex of \$146.8 million (\$2025–26) – see Table A-5.

³⁶ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

Management Strategy (MAMS) without creating imprudent replacement volumes in the subsequent 2031–36 control period.

Jemena’s revised proposal included additional supporting expenditure not included, or materially higher than included, in its initial proposal, including wasted visits, panel and wire remediation, site scoping and notifications, additional labour resources to support the proactive replacement program, and meter disposals. These activities and resources are proportional to Jemena’s proactive replacement volumes (i.e., higher proactive meter replacement volumes lead to higher supporting expenditures). Consistent with our final decision to reinstate the draft decision proactive meter replacement volumes, which are lower than the revised proposal, our final decision has also adjusted this expenditure downwards. Our final decision also individually considers the prudence and efficiency of these additional supporting areas of expenditure.

Our final decision also revises Jemena’s classification of expenditure across opex and capex. We consider Jemena’s step change for meter disposals should be treated as capex and recovered under the metering asset base, given it is expenditure associated with the removal and replacement of meters. We also consider project resourcing costs are more appropriately attributed to the metering asset base rather than IT expenditure.

Table A-5 Final decision proactive meter replacement capex (\$million, 2025–26)

Category	2026–31 revised proposal	2026–31 final decision	Change from revised proposal	Final decision proportion of proactive replacement capex
Replacement volumes	84.1	66.2	-21.3%	70.0%
Panel and wire remediation	21.1	-	-100%	-
Wasted site visits	10.5	8.3	-21.4%	8.7%
Site scoping and notifications	8.6	7.2	-15.7%	7.7%
Project resourcing	17.4	8.8	-49.7%	9.3%
Meter disposals	5.0	4.1	-18.4%	4.3%
Total proactive replacement expenditure	146.8	94.6	-35.5%	
Net total proactive replacement capex	124.3	94.6	-23.9%	

Note: project resourcing and meter disposals expenditure was included under other categories of expenditure (project resourcing under IT capex and meter disposals as an opex step change). We include them both here and provide total expenditure for the revised proposal inclusive of these amounts, and net total expenditure for the revised proposal exclusive of these amounts. Our final decision considers these expenditures as proactive replacement capex.

Source: Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025; AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

A.5.1.1 Proactive replacement volumes

Our final decision is for direct capex related to the volumes of proactive meter replacement of \$66.2 million (\$2025–26) for Jemena over the 2026–31 period.³⁷ This is a decrease of \$17.9 million (\$2025–26) or 21.3% from Jemena’s revised proposal capex of \$84.1 million (\$2025–26) for this period.³⁸ This reflects our final decision substituting Jemena’s revised proposal volumes of proactive meter replacement with the volumes we considered appropriate in our draft decision.

Jemena’s revised proposal included additional expenditure to reflect an increased volume of proactive meter replacements in the 2026–31 period. Specifically, an increase from 33% of Jemena’s 2025–26 meter base (130,407 meters) in our draft decision to 43% (166,354 meters).³⁹ Jemena stated that the draft decision replacement volumes created an imprudent and unachievable peak of proactive replacement volumes in the 2031–36 period due to its unique physical inspection obligations under its MAMS.⁴⁰

Jemena’s revised proposal included a model to assess the age profile of its smart meters across the 2026–31 and 2031–36 periods.⁴¹ The model is based on Jemena’s historical meter installation volumes since 2010 and adjusts this profile by proactive replacement volumes under both the draft decision and its revised proposal. In doing so, the model estimates the timeline for physical inspections of meters based on the 20-year testing requirement under its applicable MAMS, which would be required at that time if the meters are not replaced by then. The model estimates that in the subsequent 2031–36 period meters exceeding 20 years without physical inspection would be 142,777 under the revised proposal and 178,725 under the draft decision replacement volumes.⁴²

We have assessed Jemena’s analysis and have concerns with the assumptions underlying its modelling. In particular:

- In deriving meter age profiles from historical installation volumes, Jemena has included meters that are no longer in service. In response to an information request, Jemena confirmed that its supporting modelling reflects installations only and did not account for meters that had already been, or were forecast in the 2026–31 period to be, removed or replaced due to fault or failure, customer request, or abolishment.⁴³
- Jemena’s model is designed to assess the remaining replacements required in the 2031–36 period resulting from proactive replacement volumes in the 2026–31 period. Consequently, the model does not assess whether non-proactive replacement rates in the 2026–31 period would be sufficient to manage deliverability concerns. Further,

³⁷ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

³⁸ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

³⁹ AER, *Metering expenditure model – Draft decision – Jemena distribution determination 2026–31*, September 2025; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

⁴⁰ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, p. 5.

⁴¹ Jemena, *JEN – RP – Att 10-13M aged meter inspection and replacement obligation volumes*, December 2025.

⁴² Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, p. 8.

⁴³ Jemena, *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q5, Q7.

Jemena indicated that it has no concerns in procuring meters and sourcing labour, citing that as part of the initial AMI rollout it replaced over 100,000 meters in 2013 alone.⁴⁴

We undertook further analysis of Jemena’s proactive meter replacement requirements across the 2026–31 and 2031–36 periods to test whether proactive replacement volumes adopted in our draft decision would be sufficient to avoid significantly higher volumes of proactive replacement in the 2031–36 period. This analysis accounted for meters no longer in service as well as forecast future meter actions that would replace meters prior to them being proactively replaced, e.g., reactive replacement. Additionally, we considered replacement activities into the 2031–36 period by using the forecast rates of replacement upon fault/failure and customer request, refurbishment and abolishment for the 2026–31 period.

Table A-6 provides a summary of the above analysis of meter replacements. The analysis accounts for historical and forecast rates of removal or replacement of meters for abolishment, customer requests, failures / faults, and refurbishments, extending the 2026–31 period forecasts (including growth rates) into the 2031–36 period, and applied using a weighted average based on installation years. This shows that when accounting for meters replaced or removed through other activities before and during the 2026–31 and 2031–36 periods, the total meters needing proactive replacement across the 2026–31 and 2031–36 periods is reduced by 37.0% of the 2025–26 meter base. This reduces the total meters needing to be proactively replaced to avoid physical inspections in the 2031–36 period to 24.9% of the 2025–26 meter base, with a further 5.3% to be replaced after the 2031–36 period, which are still within 20 years life. Given this, we consider that Jemena’s proactive replacement volumes in the 2031–36 period could be managed when applying the draft decision volumes for proactive replacement for the 2026–31 period.

Table A-6 AER meter replacement analysis using draft / final decision volumes (as a % of 2025–26 meter population)

	2010–26 periods	2026–31 period	2031–36 period	Total
Meters replaced/removed	17.6%	9.1%	10.3%	37.0%
Meters proactively replaced		32.8%	24.9%	57.7%
Remainder of 2025–26 population at end of period	82.4%	40.5%	5.3%	

Source: AER analysis; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025; Jemena, *JEN – RP – Att 10-13M aged meter inspection and replacement obligation volumes*, December 2025; AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

We note that while this analysis indicates that our final decision replacement volumes for the 2026–31 period (32.8%) would produce a lower volume of replacements in the 2031–36 period (24.9%) which could be smoothed over the two periods, we consider that the replacement volumes adopted in the draft decision remain appropriate. These volumes are consistent with those applied to other Victorian gas distributors and provide a more even

⁴⁴ Jemena, *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q10.

replacement profile across periods. In particular, they mitigate the risk of price volatility by reducing the material price decrease in 2026–31 and the subsequent price increase in 2031–36, while continuing to support compliance with the MAMS. Further, we do not consider it prudent to set replacement numbers for the 2026–31 period based on assumptions for the 2031–36 period.

A.5.1.2 Panel and wire remediation

Our final decision is for no panel and wire remediation capex for metering services over the 2026–31 period.⁴⁵ This is a decrease of \$21.1 million (\$2025–26) or 100.0% from Jemena’s revised proposal capex of \$21.1 million (\$2025–26) for this period.⁴⁶ This reflects our final decision that this remediation work and expense fits under the ancillary network service classification, and is therefore the responsibility of the customer.

Jemena’s revised proposal included new expenditure (relative to its initial proposal) to account for anticipated panel and wire remediation work identified during proactive replacement. Jemena proposed that 10% of proactive replacement visits would require additional work beyond a standard meter installation to remediate issues such as degraded wiring, deteriorating mounting surfaces, concealed asbestos or legacy installation defects.⁴⁷

Jemena supported its inclusion of this expenditure by citing the Australian Energy Market Commission’s 2023 NEM-wide assessment on the accelerated smart meter rollout to justify its proportion of remediation actions. The Australian Energy Market Commission found that, “10-15% of sites will be higher cost or difficult to install smart meters due to meter board remediation, site access and customer refusal issues.”⁴⁸ We note that this analysis was based on consultation across multiple jurisdictions and was primarily in relation to replacing legacy meters with smart meters, with Victorian distributors already undertaking significant remediation actions in the 2009 rollout. Jemena additionally supported its estimate by considering its recent experience identifying customer site defects and non-compliance during fault attendance.⁴⁹ While we consider that fault attendance likely produces a higher rate of customer site defects than proactive replacement would, we accept that Jemena’s estimate that 10% of sites will require additional meter panel work over and above a standard meter installation activity to be reasonable.

However, under current service classification, non-standard metering service costs (such as any remediation works) are recovered through ancillary network services, and not the socialised metering services ‘bucket’, indicating that remediation works should be recovered from customers directly.⁵⁰ This is supported by the significant remediation work already done by Victorian distributors when smart meters were initially rolled out, with the likelihood of further remediation work being a result of customer intervention, such as building augmentation, uncontrolled vegetation, or similar issues.

⁴⁵ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁴⁶ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

⁴⁷ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 15–16.

⁴⁸ AEMC, *Final report | Review of the regulatory framework for metering services*, August 2023, p. 32.

⁴⁹ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 15–16.

⁵⁰ Jemena, *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q19.

A.5.1.3 Wasted site visits

Our final decision is for wasted site visit capex for metering services of \$8.3 million (\$2025–26) for Jemena over the 2026–31 period.⁵¹ This is a decrease of \$2.2 million (\$2025–26) or 21.4% from Jemena’s revised proposal wasted site visit capex of \$10.5 million (\$2025–26) for this period.⁵² This reflects our final decision that these wasted site visits are prudent and efficient, and revisions to the capex amount are consequential reflecting the revisions made to proactive replacement volumes (see section A.5.1.1).

Jemena’s revised proposal included additional capex for wasted visits. Jemena forecast that 40% of attempted proactive replacements would result in ‘wasted visits’, where the meter is unable to be replaced at that time and a revisit must occur.⁵³ Of the 40% of wasted site visits, 30% were attributed to customer refusals or access issues (also accounting for multiple wasted site visits for individual customers) and 10% were attributed to sites requiring remediation that cannot be actioned.⁵⁴ We consider Jemena’s wasted visit assumptions to be reasonable, noting they are informed by observed historical outcomes from meter sample testing and supported by advice from asset management staff.⁵⁵ While we do not accept Jemena’s proposed panel and wire remediation work capex (see section A.5.1.2), we consider it reasonable to account for the wasted site visit within this proposed capex, reflecting that meter replacement cannot be completed upon discovering site defects.

Jemena’s revised proposal assumed a 1-hour labour impact for each wasted site visit. This proposed labour time is less than Jemena’s ancillary network service for wasted site attendance, which accounts for a time of 2.2 hours.⁵⁶ This reflects the significant efficiencies of the proactive replacement metering program, and that generally travel times do not need to be accounted for in wasted site visits when these meters are expected to be replaced similar to how they were rolled out – in a geographically efficient nature. Additionally, we have assessed Jemena’s breakdown of activities for a wasted site visit, provided in response to an information request, and consider that the detailed activities and associated times appropriately reflect action required irrespective of the completion of meter replacement.⁵⁷

A.5.1.4 Site scoping and notifications

Our final decision is for site scoping and notifications capex for metering services of \$7.2 million (\$2025–26) for Jemena over the 2026–31 period.⁵⁸ This is a decrease of \$1.4 million (\$2025–26) or 15.7% from Jemena’s revised proposal site scoping and notifications capex of \$8.6 million (\$2025–26) for this period.⁵⁹ This reflects our final decision that these site

⁵¹ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁵² Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

⁵³ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December, pp. 14–15.

⁵⁴ Jemena, *Information request – IR066 – Revised proposal further metering questions*, February 2026, Q4.

⁵⁵ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December, p. 14; Jemena, *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q13f.

⁵⁶ Jemena, *JEN – RP – Att 11-04M ACS Fee based and quoted services model*, December 2025.

⁵⁷ *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q12a.

⁵⁸ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁵⁹ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

scoping and notification activities are prudent and efficient, and revisions to the capex amount reflect the revisions made to proactive replacement volumes (see section A.5.1.1).

Jemena’s revised proposal included additional expenditure for site scoping and notification activities required prior to attending a site to replace the meter. As replacing meters will require a temporary electricity outage, Jemena is required to provide physical notification to customers prior to attendance in line with the Victorian Electricity Distribution Code of Practice.⁶⁰ Customers are only exempt from the physical notification if they have opted for an electronic notification, of which Jemena has noted that no customers have done so.⁶¹

We have assessed Jemena’s forecast 15 minutes labour time for each site scoping and notification activity, which includes confirming site details, physical carding, recording of carding, call centre support, as well as the additional site scoping that occurs at the time of carding.⁶² We consider these times reasonable based on the noted activities and requirements under the Victorian Electricity Distribution Code of Practice.

Additionally, we consider site scoping conducted in parallel to physical carding supports efficiencies in other areas of the proactive replacement management program. In response to an information request, Jemena confirmed expenditure for this activity is not accounted for elsewhere in its revised proposal, and that information from scoping will be used to efficiently schedule meter replacement, minimising costs.⁶³ We consider these activities are prudent in order to maximise efficiencies of the proactive replacement approach.

As mentioned above, Jemena indicated that it does not have any customers who have opted in for electronic notifications. We have some concern regarding this as it may indicate a policy issue relating to customer engagement and accessibility, including whether customers are being provided with appropriate opportunities to receive communication in formats that suit their needs. We will consider this issue further beyond this final decision and engage distributors and the Essential Services Commission Victoria where appropriate.

A.5.1.5 Project resourcing

Our final decision is for project resourcing capex for metering services of \$8.8 million (\$2025–26) for Jemena over the 2026–31 period.⁶⁴ This is a decrease of \$8.6 million (\$2025–26) or 49.7% from Jemena’s revised proposal project resourcing capex of \$17.4 million (\$2025–26) for this period.⁶⁵ This reflects our final decision to reduce this capex to levels we consider prudent and efficient, taking into account the revisions made to proactive replacement volumes (see section A.5.1.1).

Jemena’s revised proposal included additional expenditure to recover resourcing costs required to support the proactive replacement program and its increased replacement

⁶⁰ Electricity Distribution Code of Practice (version 3) – January 2026, Clause 11.5.

⁶¹ Jemena, *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q23c.

⁶² Jemena, *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q23d.

⁶³ Jemena, *Information request – IR050 – Revised Proposal Metering Questions*, December 2025, Q21, Q23a, Q23d, Q23e.

⁶⁴ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁶⁵ Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

volumes for the 2026–31 proposal. This included an increase from 3 full-time equivalents (FTEs) in the initial proposal to 12 FTEs in the revised proposal.⁶⁶

Our assessment of the inclusion of these additional roles considered whether the additional resourcing reflected areas where workload is materially impacted by the higher volume of proactive meter replacement and the commissioning of those meters. Jemena’s revised proposal increased “Asset and Program Management” to 5 FTEs, from the 2 FTEs we considered appropriate in our draft decision. We do not consider this proposed increase is justified. This is because the additional meter actions and change in program delivery under the revised proposal proactive replacement approach compared to the initially proposed inspection-led replacement approach does not materially increase the coordination workload. Accordingly, our final decision reduces “Asset and Program Management” resources to the originally proposed amount of 2 FTEs.

We consider that a further reduction of 3 FTEs is appropriate to reflect the revisions we have made in this final decision to the proactive replacement volumes. This reflects that these FTE resources are connected to the volume of activities required. This includes the reduction from 2 to 1 FTEs for “Customer Communications and Management”, and the reduction from 4 to 2 FTEs across Data and Revenue Management, AMI Communications Field Services, and IT Support Services and Management. Our consideration of these final 2 FTEs also reflects that we consider a potential overlap between these functions and overlap with other forecast expenditure related to site scoping and customer notifications.

We benchmarked the additional project resources associated with proactive meter replacement programs across the Victorian distributors, and consider this supports the reduction of Jemena’s project resourcing as set out above. For CitiPower, Powercor, and United Energy (CPU), we accepted additional capex for program support resources of around \$37-\$38 per meter replaced under the proactive replacement program.⁶⁷ Jemena’s revised proposal included additional capex of \$99 per meter for program support resources.⁶⁸ AusNet Services did not propose any additional resourcing explicitly. Our final decision revisions result in expenditure of \$63 per meter for these support resources⁶⁹ which is still above that approved for CPU.

Jemena’s revised proposal included program support resourcing capex as a component of IT capex, depreciating over 7 years rather than depreciating over 15 years as for other metering expenditure. We consider that additional program support resourcing for the proactive replacement of meters should be depreciated over the 15-year meter asset life. This is consistent with our approach for CPU.⁷⁰

⁶⁶ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. A-2–A-4.

⁶⁷ AER analysis; CitiPower, *CP RRP MOD 6.03 – Standardised metering capex and opex*, December 2025; Powercor, *PAL RRP MOD 6.03 – Standardised metering capex and opex*, December 2025; United Energy, *UE RRP MOD 6.03 – Standardised metering capex and opex*, December 2025.

⁶⁸ AER analysis; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

⁶⁹ AER analysis; AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁷⁰ CitiPower, *CP RRP MOD 6.03 – Standardised metering capex and opex*, December 2025; Powercor, *PAL RRP MOD 6.03 – Standardised metering capex and opex*, December 2025; United Energy, *UE RRP MOD 6.03 – Standardised metering capex and opex*, December 2025.

A.5.1.6 Meter disposals

Our final decision is for metering disposal capex of \$4.1 million (\$2025–26) for Jemena over the 2026–31 period.⁷¹ This is a decrease of \$0.9 million (\$2025–26) or 18.4% from Jemena’s revised proposal metering disposal opex of \$5.0 million (\$2025–26) for this period.⁷² This reflects our final decision that we consider this expenditure should be considered as capex, and reductions to reflect the revisions made to proactive replacement volumes (see section A.5.1.1).

Jemena’s revised proposal included additional opex to recover costs related to the disposal of meters for the increased volumes of meter replacements in its revised proposal. Our draft decision accepted a \$2.8 million (\$2025–26) step change for meter disposals.⁷³ Jemena revised this amount in its revised proposal to reflect the increased meter replacement volumes. In response to an information request, Jemena advised that the disposal rate applied on a per-meter basis was derived from its existing contract with its meter supplier, noting this contract was established through an open market tender process.⁷⁴

While we consider the per meter unit cost of the disposal of meters to be acceptable considering the tender process, we encourage Jemena to seek opportunities for further efficiencies and volume discounts in future processes.

We also consider that this expenditure should be applied to the regulated metering asset base as capex. This is because it is expenditure associated with the removal and replacement of an asset (the meter), rather than an operational cost. Our standardised metering model sets this expectation with a capex input area for meter disposals.⁷⁵ The treatment of this expenditure as capex rather than opex means that the expenditure will be recovered over a 15-year period rather than on an immediate basis. In the short-term, this will significantly reduce the impact of this expenditure, reducing the ARR for the 2026–31 period by \$4.4 million (\$2025–26) or 3.0% compared to the revised proposal. In the longer term, it is expected to better manage price volatility than recovering these amounts immediately through an opex step change.

A.6 Operating expenditure

Our final decision is for total opex for metering services of \$59.3 million (\$2025–26) for Jemena over the 2026–31 period.⁷⁶ This is a decrease of \$5.3 million (\$2025–26) or 8.2% from Jemena’s revised proposal total opex of \$64.6 million (\$2025–26).⁷⁷ This reflects the base-step-trend estimate provided by Jemena, the removal of the meter disposal step change as we treat it as capex (see section A.5.1.6), and mechanical updates to labour cost

⁷¹ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁷² Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

⁷³ AER, *Attachment 15 - Metering services - Draft decision - Jemena distribution determination 2026–31*, September 2025, pp. 23–24.

⁷⁴ Jemena, *Information request – IR066 – Revised proposal further metering questions*, February 2026, Q9.

⁷⁵ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁷⁶ AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

⁷⁷ Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025.

escalation and inflation. Our final decision opex is set out in Table A-7 and we discuss each of the base, trend and step components in the following sections.

Table A-7 Final decision opex (\$million, 2025–26)

Category	2026–31 revised proposal	2026–31 final decision	Change from revised proposal	Final decision proportion of total opex
Base opex	54.0	54.3	0.6%	91.6%
Trend: Output growth	2.7	2.7	0.6%	4.6%
Trend: Price growth	2.3	1.8	-21.2%	3.1%
Total trend	5.2	4.7	-9.8%	7.9%
Step change: Meter disposals	5.0	-	-100.0%	-
Step change: IT systems enhancements	0.1	0.1	-	0.2%
Total step changes	5.1	0.1	-98.1%	0.2%
Debt raising costs	0.3	0.2	-27.1%	0.3%
Total opex	64.6	59.3	-8.2%	

Note: Some movements may not appear in dollar values due to rounding.

Source: Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025; Jemena, *JEN – RP – Att 10-02M ACS Metering PTRM*, December 2025; AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026; AER, *Metering PTRM – Final decision – Jemena distribution determination 2026–31*, April 2026.

A.6.1 Base opex

If we find the distributor is operating efficiently, our preferred methodology is to use the distributor's historical or 'revealed' costs in a recent year as a starting point for our opex forecast.

In its revised proposal Jemena maintained 2024–25 opex as the base year as in its initial proposal. Its actual opex in 2024–25 is in line with the average base opex for previous years in the 2021–26 period, and is lower than allowed for in the 2021–26 period.⁷⁸ We consider that 2024–25 is an appropriate base year for our final decision and have accepted Jemena's proposed base year and the actual opex in that year. No adjustments to the base were proposed.

A.6.2 Rate of change (trend)

We trend the adjusted base opex forward by applying our forecast 'rate of change'. We estimate the rate of change by forecasting the expected growth in input prices and outputs.

⁷⁸ Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, pp. 23–24.

Our final decision applies labour cost escalators consistent with SCS to forecast the expected growth in input prices. For more information, see Attachment 3.

Our final decision also applies Jemena’s revised proposal change in meter volumes to calculate the expected growth in outputs.⁷⁹ This reflects Jemena’s proposed growth rates are consistent with historical growth. These growth rates are supported by our assessments of growth rates for metering capex⁸⁰, as well as SCS opex (Attachment 3).

A.6.3 Step changes

Lastly, we add or subtract any components of opex that are not appropriately compensated for in base opex or the rate of change, but which should be included in the forecast total opex to ensure prudent and efficient costs are recovered.

Our final decision rejects the meter disposal step change in Jemena’s revised proposal. We have engaged with this step change further since our draft decision, including the increases in Jemena’s revised proposal to account for the proposed higher meter replacement volumes. As a result, we consider that this expenditure, related to the costs to dispose of meters after their removal, is better recovered as capex. We consider it is most appropriate to recover these costs, along with other capex costs associated with removal or replacement, by depreciating them over the 15-year life of the metering assets. More information is provided in section A.5.1.6.

Our final decision accepts the step change for enhancement of IT systems capacity in Jemena’s revised proposal.⁸¹ This consideration remains unchanged from our draft decision.⁸²

A.7 Expenditure allocated to SCS

Our final decision accepts no allocation of metering expenditure to SCS in Jemena’s revised proposal.⁸³ This allocation is unchanged from our draft decision.⁸⁴

A.8 Metering exit fees

Metering exit fees allow Jemena to recover the written down value, as well as the efficient costs of removal and disposal. An example of where these fees may occur is when an

⁷⁹ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

⁸⁰ AER, *Attachment 15 – Metering services – Draft decision – Jemena distribution determination 2026–31*, September 2025, p. 17.

⁸¹ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025.

⁸² AER, *Attachment 15 – Metering services – Draft decision – Jemena distribution determination 2026–31*, September 2025, p. 24.

⁸³ AER, *Metering expenditure model – Final decision – Jemena distribution determination 2026–31*, April 2026; Jemena, *JEN – RP – Att 10-03M ACS Metering expenditure model*, December 2025, Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025, p. 26.

⁸⁴ AER, *Attachment 15 – Metering services – Draft decision – Jemena distribution determination 2026–31*, September 2025, p. 25.

existing site with multiple meters, such as an apartment building, becomes an embedded network, resulting in the removal of existing meters from the RAB.

Our draft decision accepted Jemena’s proposed approach to setting these price-capped fees, using the calculation of the RAB and the building blocks for metering services ARR, in line with the historical approach and the standardised metering pricing model template.⁸⁵ Our final decision updates the revised proposal exit fees in line with our updates on the building block components for the metering services ARR as set out in the previous sections.

The price caps applicable in the first year of the 2026–31 period, as well as the X factors to escalate those prices in subsequent years, are set out in Table A-8. These X factors are calculated based on the real difference between the calculated price caps for each year, based on the RAB and building blocks for metering services. Increases are represented by negative X factors, and decreases represented by positive X factors, as the price cap is escalated using the CPI-X form.

Table A-8 Final decision metering exit fee year 1 price caps (\$2025–26) and year 2–5 X factors

Category	2026–27 price cap	2027–28 X factor	2028–29 X factor	2029–30 X factor	2030–31 X factor
Single Phase (inc. DC)	206.54	-15.8%	-18.3%	-18.7%	-16.6%
Single Phase, Two Element	215.31	-15.9%	-18.7%	-19.1%	-17.0%
Three Phase (inc. DC)	248.67	-16.2%	-20.3%	-20.5%	-18.1%
Three Phase CT	318.70	-16.9%	-22.6%	-22.6%	-19.8%

Source: AER, *Metering pricing model – Final decision – Jemena distribution determination 2026–31*, April 2026.

The price path over the 2026–31 period reflects the increases in the RAB that result from the proactive replacement program.

Our draft decision raised concern that the price paths for exit fees, where there is expected increases over the coming 2026–31 period and beyond, may incentivise exiting activities. AusNet and CPU responded to our concern in their revised proposals. AusNet noted that it considers that the Victorian AMI orders do not allow small customers to replace relevant metering installations with a contestable meter in most circumstances and therefore smoothing of exit fee prices is not necessary as there is no risk of incentive.⁸⁶ CPU noted that increases in meter exit fees in line with RAB increases are appropriate.⁸⁷ Jemena’s revised proposal did not address this concern but accepted the price path of the draft

⁸⁵ AER, *Metering pricing model – Final decision – Jemena distribution determination 2026–31*, April 2026; Jemena, *JEN – RP – Att 10-04M ACS Metering exit fees model*, December 2025.

⁸⁶ AusNet Services, *ASD – AusNet – EDPR Revised Proposal 2026–31*, December 2025, p.274.

⁸⁷ CitiPower, *CitiPower Revised Proposal 2026–31 – Revenue and expenditure forecasts*, December 2025, p. 64; Powercor, *Powercor Revised Proposal 2026–31 – Revenue and expenditure forecasts*, December 2025, p. 77; United Energy, *United Energy Revised Proposal 2026–31 – Revenue and expenditure forecasts*, December 2025, p. 59.

decision. No stakeholder submissions were received in relation to metering exit fees. As such, our final decision has retained the approach of unsmoothed exit fees.

A.9 Cost pass through mechanism

Our draft decision proposed a cost pass through mechanism to account for uncertainty around future metering expenditure in light of new technologies and legislation. The Victorian distributors' supported this proposed mechanism in their revised proposals either explicitly (Jemena), or implicitly through acceptance of our proposed control mechanisms (AusNet, CPU).⁸⁸ Our final decision on this mechanism is set out with the control mechanisms for metering services in Attachment 12.

⁸⁸ AusNet Services, *ASD – EDPR Revised Proposal 2026–31*, December 2025, pp.301–302; CitiPower, *CitiPower Revised Proposal 2026–31 – Revenue and expenditure forecasts*, December 2025, p. 63; Jemena, *JEN – RP – Att 10-01 Advanced Metering Infrastructure – revised*, December 2025 p. 26; Powercor, *Powercor Revised Proposal 2026–31 – Revenue and expenditure forecasts*, December 2025, p. 76; United Energy, *United Energy Revised Proposal 2026–31 – Revenue and expenditure forecasts*, December 2025, p. 59.

Shortened forms

Term	Definition
2026–31 period	2026–31 regulatory control period
ARR	Annual revenue requirement
Jemena	Jemena Services
Capex	Capital expenditure
CPI	Consumer price index
CPU	CitiPower, Powercor, and United Energy
IT	Information technology
NEM	National Electricity Market
NER	National Electricity Rules
NPV	Net present value
Opex	Operating expenditure
PTRM	Post tax revenue model
RAB	Regulatory asset base
RFM	Roll forward model
RIN	Regulatory information notice
SCS	Standard control services
WACC	Weighted average cost of capital