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29 April 2026

Charlotte Eddy  
General Manager, Strategy & Regulation (Distribution)  
AusNet Services  
Level 31, 2 Southbank Boulevard  
Southbank VIC 3006

By email: [REDACTED]

Dear Charlotte,

**Re: AER Determination – AusNet Services – *Unlocking CER benefits through flexible trading rule change cost pass through application***

I am writing to advise you of the Australian Energy Regulator's (AER's) assessment of AusNet Services' cost pass through application relating to the Australian Energy Market Commission's (AEMC's) *Unlocking CER benefits through flexible trading rule change*.

In accordance with clause 6.6.1(d) of the National Electricity Rules (NER), the AER has determined that a positive change event has occurred, and that AusNet Services may recover incremental revenue of \$0.18 million (nominal) from network users in 2026–27, the first year of the next regulatory control period (2026–31).

The approved pass through amount is estimated to incrementally increase residential and small business bills by less than \$1 in 2026–27.

Details of the AER's assessment against the relevant factors in the NER are set out in the following attachments. If you have any queries in relation to this matter, please contact David Monk at [REDACTED]

Yours sincerely

Ben Stonehouse  
Acting General Manager  
Network Expenditure

Sent by email on: 29.04.2026

## Attachment A: Reasons for determination

### 1. Occurrence of a service standard event

This application is in respect of a service standard event under clause 6.6.1(a1)(2) of the NER. The NER defines a service standard pass through event as a legislative or administrative act or decision that:<sup>1</sup>

(a) has the effect of:

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

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

This event relates to the AEMC's rule change, *Unlocking CER benefits through flexible trading*, made on 15 August 2024, which requires AusNet Services to make changes in procedures, processes and systems across a range of business functions and capabilities to support customers (small, commercial, industrial and local government organisation) seeking to leverage the new arrangements.

We consider the AEMC's rule change has the effect of substantially varying the manner in which AusNet Services provides direct control services, including to vary how AusNet Services interacts with market systems and other participants, and satisfies the definition of a service standard pass through event. This event was not a result of any act or omission of AusNet Services.

### 2. Positive change event

We are satisfied that the event meets the definition of a 'positive change event' in the NER, as it results in AusNet Services incurring materially<sup>2</sup> higher costs in providing direct control services, as demonstrated in **Table 1**.

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<sup>1</sup> Cl. 6.6.1(a1)(2) and as defined in Chapter 10 of the NER (Glossary)

<sup>2</sup> As defined in Chapter 10 of the NER (Glossary).

**Table 1: AER – Materiality assessment (\$million, 2020–21)**

Costs	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Approved pass through opex	–	–	–	–	0.16	0.16
Approved pass through capex	–	–	–	–	14.08	14.08
Total costs	–	–	–	–	14.24	14.24
AER approved unsmoothed revenues	–	–	–	–	598.94	–
<b>Materiality (%)</b>	–	–	–	–	<b>2.38%</b>	–

Source: AER analysis

### 3. Timing of AusNet Services' application

The date of the event is 15 August 2024, being the date the AEMC rule change was made. Under the NER, a DNSP must submit an application within 90 business days of a relevant positive change event or seek an extension within that timeframe.

On 23 October 2024, AusNet Services sought an extension until 31 July 2025, citing the need to implement significant IT system changes and test updates to metering data and customer management systems to ensure compliance with the AEMC's rule change. The AER extended the submission deadline to 15 November 2025, beyond the date sought by AusNet Services, to maintain consistency with extensions provided to other Victorian network service providers for the FTA rule change event.

AusNet Services submitted its application on 14 November 2025.

### 4. Assessment of the pass through amounts

In assessing AusNet Services' pass through application, the NER requires the AER to consider a number of factors<sup>3</sup> to determine whether the proposed level of costs is prudent and efficient.

We reviewed the cost estimates submitted by AusNet Services, along with the supporting cost pass through documentation, including the cost build-up model and the updated post-tax revenue model (PTRM). To assist our review, we sought additional information from AusNet Services in relation to the scope of work and supporting cost information, which AusNet Services provided.

In summary, our assessment found that:

- the proposed pass through amount reflects only the incremental costs incurred as a consequence of the service standard event.
- AusNet Services' decisions and actions in responding to the service standard event were reasonable and likely to result in prudent and efficient costs.
- AusNet Services had not taken any action, or failed to take any action, that materially increased the magnitude of the proposed pass through amount.

<sup>3</sup> Cl. 6.6.1(j) of the NER.

The need for, and scope of, this investment is established by the AEMC's rule change and Victorian Ministerial Orders for the reforms to be implemented specifically in Victoria. Based on our assessment, we consider AusNet Services' forecast likely reflects the efficient costs of necessary system and process changes, consistent with the requirements under the FTA rule change.

## 5. Approved pass through amount

Our determination is to allow for total incremental costs of \$0.17 million (\$nominal) in operating expenditure and \$15.58 million (\$nominal) in capital expenditure for AusNet Services.

The incremental revenue associated with these costs (the approved pass through amount) is detailed in **Table 2**.

**Table 2: AER approved incremental revenue resulting from the FTA rule change event (\$million, nominal)**

\$million (nominal)	2021–22	2022–23	2023–24	2024–25	2025–26	Total
Return on capital	–	–	–	–	–	–
Return of capital (regulatory depreciation)	–	–	–	–	–	–
Operating expenditure	–	–	–	–	0.17	0.17
Revenue adjustments	–	–	–	–	–	–
Net tax allowance	–	–	–	–	–	–
Incremental annual revenue requirement (unsmoothed)	–	–	–	–	0.17	0.17

Note: Numbers may not add due to rounding.

## 6. Timing of cost pass through recovery

AusNet Services proposed to recover the incremental revenue arising from the cost pass through application in 2026–27.

The total incremental revenue is \$0.17 million for the 2021–26 period. After adjusting for time value of money, the C factor amount for recovery is \$0.18 million. Therefore, our determination is to approve a positive pass through amount of \$0.18 million, to be recovered in 2026–27, the first year of the next regulatory control period (2026–31).

This is estimated to result in an incremental increase of less than \$1 to the annual bill for both residential and small business customers in 2026–27.

## 7. Submissions

We received two submissions from David Prins, Mark Henley and Robyn Robinson (members of the AER's Consumer Challenge Panel, sub-panel CCP32) and Jennifer Brownie on behalf of the consumer advocacy group Queensland Electricity Users Network (QEUN), in response to the public consultation on the cost pass through applications. While the submissions did not specifically oppose AusNet Services' application relating to this event, both raised broader concerns about consumer impacts, engagement, and consistency across the cost pass through and revenue determination frameworks.

The submissions highlighted that cost pass through applications can impose material costs on consumers through electricity bills, but can receive limited and inconsistent stakeholder

engagement compared to broader regulatory processes. They also raised concerns about insufficient consumer scrutiny, cumulative bill impacts, and potential substitution of insurance with cost pass through claims, and suggested businesses and the AER strengthen and review engagement approaches for these applications.<sup>4</sup>

We acknowledge the concerns and suggestions raised in these submissions, and note that we are actively considering these issues in continuing to develop the cost pass through assessment function, processes and framework.

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<sup>4</sup> [David Prins, Mark Henley, Robyn Robinson - Submission to the AER - Cost pass through applications - 23 Jan 2026](#) ; [QEUN - Submission on network cost pass through applications, 27 January 2026.](#)

## Attachment B: Requirements for determining a positive change event has occurred

#	Requirement of the NER	Our consideration
1.	Is the pass through event a regulatory change event, service standard event, tax change event, or retailer insolvency event? <sup>5</sup>	Yes. We consider the AEMC's <i>Unlocking CER benefits through flexible trading</i> rule change to meet the definition of a service standard event (or in the alternative, a regulatory change event).
2.	Does the pass through relate to any other event specified in AusNet Services' 2021–26 distribution determination as a pass through event for that determination? <sup>6</sup>	No.
3.	Was the pass through event a consequence of acts or omissions of AusNet Services?	No. There is no evidence that AusNet Services' acts or omissions materially contributed to the costs of the event.
4.	Did the pass through event entail AusNet Services incurring materially higher costs in providing direct control services than it would have incurred but for the event? <sup>7</sup>	Yes. The additional costs incurred by AusNet Services as a result of the event were material. The total cost of responding to the event in 2025–26 was \$14.24 million (\$2020–21), representing 2.38% of AusNet Services approved unsmoothed revenue of \$598.9 million for that year.
5.	What is the date on which the positive change event occurred? <sup>8</sup>	15 August 2024, being the date the AEMC made the FTA rule change.
6.	Did AusNet Services submit a written statement within 90 business days of the positive change event occurring? <sup>9</sup>	Yes. In response to AusNet Services' request, the AER granted an extension for submitting a cost pass through application until 15 November 2025. AusNet Services submitted its application on 14 November 2025.
7.	Did AusNet Services specify details of the positive change event, including the date on which the event occurred, in its written statement? <sup>10</sup>	Yes. AusNet Services' application (written statement) included details of the positive change event, including the date on which the event occurred.
8.	Did AusNet Services specify in its written statement the eligible pass through amount, the proposed positive pass through amount, and the amounts proposed to be recovered from customers in each regulatory year? <sup>11</sup>	Yes. AusNet Services' application specified \$15.25 million (\$nominal) as the eligible pass through amount and proposed a positive pass through amount of \$0.17 million (\$nominal), to be recovered from customers in 2026–27.
9.	Did AusNet Services specify in its written statement evidence of the actual and likely increase in costs that occurred solely as a consequence of the positive change event? <sup>12</sup>	Yes. AusNet Services' pass through application sets out the costs incurred as a result of the event, as well as how it calculated its proposed pass through amount.
10.	Is the pass through amount, in whole or in part, in respect of expenditure for a restricted asset? <sup>13</sup>	No.

<sup>5</sup> NER, cl. 6.6.1(a1)(1) through 6.6.1(a1)(4); and chapter 10.

<sup>6</sup> NER, cl. 6.6.1(a1)(5).

<sup>7</sup> That is, does it meet the definition of a "positive change event" as defined in chapter 10 of the Rules.

<sup>8</sup> NER, cl. 6.6.1(c)(2).

<sup>9</sup> NER, cl. 6.6.1(c).

<sup>10</sup> NER, cl. 6.6.1(c)(1) and 6.6.1(c)(2).

<sup>11</sup> NER, cl. 6.6.1(c)(3), 6.6.1(c)(4), and 6.6.1(c)(5).

<sup>12</sup> NER, cl. 6.6.1(c)(6).

<sup>13</sup> NER, cl. 6.6.1(c1) and (d2).

## Attachment C: Relevant factors under cl. 6.6.1(j) of the NER

#	Requirement of the NER	Our consideration
1.	We must take into account the matters and proposals set out in AusNet Services' written statement. <sup>14</sup>	This decision sets out how we have considered the matters and proposals in AusNet Services' pass through application (written statement).
2.	We must take into account the increase in costs in providing direct control services resulting from the pass through event. <sup>15</sup>	We are satisfied that the expenses incurred, and to be incurred, by AusNet Services in providing direct control services in response to the event are incremental to its existing costs.
3.	We must take into account the efficiency of AusNet Services' decisions and actions in relation to the risk of the event. <sup>16</sup>	We are satisfied the decisions and actions taken in responding to the event were efficient, and the scope of works undertaken is reasonable in the circumstances. There does not appear to be any action that AusNet Services has failed to take to reduce the magnitude of the cost, or that it took or omitted to take which has materially increased the magnitude of these costs.
4.	We must take into account the time cost of money. <sup>17</sup>	We have had regard to the time cost of money in calculating the recovery of the pass through amount in 2026–27.
5.	We must take into account the need to ensure that the pass through amount reflects only costs incurred solely as a consequence of the event. <sup>18</sup>	We are satisfied that the costs included in our approved pass through amount were solely incurred as a result of the event. AusNet Services has taken an appropriate approach to identify related costs and exclude non-incremental costs from its application.
6.	We must take into account whether the costs of the event have already been factored into AusNet Services' annual revenue requirement for the current regulatory control period or will be factored into annual revenue for the next regulatory control period. <sup>19</sup>	We do not consider that the costs AusNet Services is proposing to recover have been included in its annual revenue requirement for either the current or the following regulatory control periods.
7.	We must take into account the extent to which AusNet Services' costs have already been funded by previous pass through determinations. <sup>20</sup>	We do not consider that any of the proposed costs have been the subject of a previous pass through determination.

<sup>14</sup> NER, cl. 6.6.1(j)(1).

<sup>15</sup> NER, cl. 6.6.1(j)(2).

<sup>16</sup> NER, cl. 6.6.1(j)(3).

<sup>17</sup> NER, cl. 6.6.1(j)(4).

<sup>18</sup> NER, cl. 6.6.1(j)(5).

<sup>19</sup> NER, cl. 6.6.1(j)(7).

<sup>20</sup> NER, cl. 6.6.1(j)(7A).