

Our Ref: 31616263  
Contact Officer: David Monk  
Contact Phone: [REDACTED]

29 April 2026

Lauren Fetherston  
Head of Regulatory Policy and Compliance  
CitiPower, Powercor and United Energy  
1/40 Market Street  
Melbourne VIC 3000

By email: [REDACTED]

Dear Lauren,

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

I am writing to advise you of the Australian Energy Regulator's (AER's) assessment of CitiPower, Powercor, and United Energy's (CPU's) cost pass through applications 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 CitiPower, Powercor, and United Energy may recover incremental revenue of \$0.9 million (nominal), \$2.1 million (nominal), and \$3.3 million (nominal), respectively, from network users in 2026–27, the first year of the next regulatory control period (2026–31).

The approved pass through amounts are estimated to incrementally increase CitiPower, Powercor and United Energy's residential bills by approximately \$1, \$1, and \$3, and small business bills by approximately \$2, \$3, and \$6, respectively, 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

These applications are in respect of a regulatory change event or service standard event under clause 6.6.1(a1) 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. This will require CPU to upgrade systems, operational processes and resources, and deliver new functionality for market and back-end IT systems to comply.

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

### 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 the CPU networks incurring materially<sup>2</sup> higher costs in providing direct control services, as demonstrated in the following tables (Tables 1.1, 1.2 and 1.3).

**Table 1.1: AER – CitiPower materiality assessment (\$million, 2020–21)**

Costs	2021–22	2022–23	2023–24	2024–25	2025–26	Total
Approved pass through opex	–	–	–	0.05	0.55	0.59
Approved pass through capex	–	–	–	0.70	6.09	6.80
Total costs	–	–	–	0.75	6.64	7.39
AER approved unsmoothed revenues	282.42	280.97	284.42	289.17	297.62	1,434.60
Materiality (%)	–	–	–	0.26%	2.23%	n/a

Source: AER analysis

<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 1.2: AER – Powercor materiality assessment (\$million, 2020–21)**

Costs	2021–22	2022–23	2023–24	2024–25	2025–26	Total
Approved pass through opex	–	–	–	0.11	1.28	1.38
Approved pass through capex	–	–	–	1.64	14.22	15.86
Total costs	–	–	–	1.75	15.49	17.24
AER approved unsmoothed revenues	633.98	646.96	671.22	692.71	715.84	3,360.71
Materiality (%)	–	–	–	0.25%	2.16%	n/a

Source: AER analysis

**Table 1.3: AER – United Energy materiality assessment (\$million, 2020–21)**

Costs	2021–22	2022–23	2023–24	2024–25	2025–26	Total
Approved pass through opex	–	–	–	0.15	2.06	2.22
Approved pass through capex	–	–	–	2.44	16.52	18.97
Total costs	–	–	–	2.60	18.59	21.18
AER approved unsmoothed revenues	387.88	406.54	401.98	402.50	414.31	2013.20
Materiality (%)	–	–	–	0.65%	4.49%	n/a

Source: AER analysis

### 3. Timing of CPU’s applications

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 6 November 2024, CPU sought an extension to submit cost pass through applications until 15 November 2025, citing the need to allow the networks to fully assess the extent, timing, and costs associated with implementing the required changes under the AEMC’s rule change. The AER extended the submission deadline to 15 November 2025.

CPU submitted the cost pass through applications on 29 September 2025.

### 4. Assessment of the pass through amounts

In assessing CPU’s pass through applications, 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 CPU, along with the supporting cost pass through documentation, including the cost build-up model and the updated post-tax revenue model (PTRM), among others. To assist our review, we sought additional information from CPU regarding the proposed scope of works, which CPU provided.

Our assessment found that:

- the proposed pass through amounts reflect only the incremental costs incurred as a consequence of the service standard event.

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

- CPU's decisions and actions in responding to the service standard event were reasonable and likely to result in prudent and efficient costs.
- CPU had not taken any action, or failed to take any action, that materially increased the magnitude of the proposed pass through amounts.

The need for, and scope of, this investment is established by the AEMC's rule change and Victorian Ministerial Orders for the specific reforms to be implemented in Victoria. Based on our assessment, we consider that the forecasts likely reflect 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 for CPU in the 2021–26 regulatory control period as follows:

- CitiPower: \$0.6 million (\$2020–21) in opex and \$6.8 million (\$2020–21) in capex
- Powercor: \$1.4 million (\$2020–21) in opex and \$15.9 million (\$2020–21) in capex
- United Energy: \$2.2 million (\$2020–21) in opex and \$19.0 million (\$2020–21) in capex.

Tables 2.1, 2.2 and 2.3 set out the incremental unsmoothed revenue associated with these costs – the approved pass through amounts.

**Table 2.1: CitiPower – AER approved incremental unsmoothed 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	–	0.00	0.00	0.00	0.04	0.05
Return of capital (regulatory depreciation)	–	0.00	0.00	0.00	0.14	0.14
Operating expenditure	–	–	–	0.05	0.60	0.65
Revenue adjustments	–	–	–	–	–	–
Net tax allowance	–	–0.00	–0.00	–0.00	–0.01	–0.01
Incremental annual revenue requirement (unsmoothed)	–	0.00	0.00	0.05	0.78	0.83

Note: Numbers may not add due to rounding.

**Table 2.2: Powercor – AER approved incremental unsmoothed 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	–	–	–	–	0.09	0.09
Return of capital (regulatory depreciation)	–	–	–	–	0.32	0.32
Operating expenditure	–	–	–	0.12	1.41	1.53
Revenue adjustments	–	–	–	–	–	–
Net tax allowance	–	–	–	–	–	–
Incremental annual revenue requirement (unsmoothed)	–	–	–	0.12	1.81	1.93

Note: Numbers may not add due to rounding.

**Table 2.3: United Energy – AER approved incremental unsmoothed 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	–	0.00	0.00	0.00	0.13	0.14
Return of capital (regulatory depreciation)	–	0.00	0.00	0.00	0.49	0.50
Operating expenditure	–	–	–	0.17	2.28	2.44
Revenue adjustments	–	–	–	–	–	–
Net tax allowance	–	–0.00	–0.00	–0.00	–0.01	–0.02
Incremental annual revenue requirement (unsmoothed)	–	0.00	0.00	0.17	2.89	3.07

Note: Numbers may not add due to rounding.

## 6. Timing of cost pass through recovery

After adjusting the incremental revenue from the cost pass throughs for time value of money, our determination is to approve positive pass through amounts of \$0.9 million (nominal) for CitiPower, \$2.1 million (nominal) for Powercor, and \$3.3 million (nominal) for United Energy, to be recovered in 2026–27, the first year of the next regulatory control period (2026–31).<sup>4</sup> This is consistent with the approach taken for all Victorian network service providers.

This is estimated to result in an incremental increase of approximately \$1, \$1 and \$3 to annual residential bills, and \$2, \$3 and \$6 to annual small business bills, for CitiPower, Powercor and United Energy customers respectively 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 CPU’s 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>5</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.

<sup>4</sup> These amounts will be recovered through the ‘C-Factor’ in the CPU revenue cap control mechanism formulae.

<sup>5</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		
		CitiPower	Powercor	United Energy
1.	Is the pass through event a regulatory change event, service standard event, tax change event, or retailer insolvency event? <sup>6</sup>	Yes. We consider the AEMC's <i>Unlocking CER benefits through flexible trading</i> rule change to be a service standard event (or in the alternative, a regulatory change event).		
2.	Does the pass through relate to any other event specified in CPU's 2021–26 distribution determinations as a pass through event for those determinations? <sup>7</sup>	No.		
3.	Was the pass through event a consequence of acts or omissions of CPU?	No. There is no evidence that CPU's acts or omissions materially contributed to the costs of the event.		
4.	Did the pass through event entail CPU incurring materially higher costs in providing direct control services than it would have incurred but for the event? <sup>8</sup>	Yes. The additional costs incurred by CitiPower as a result of the event were material. The total cost of responding to the event in 2025–26 was \$6.64 million (\$2020–21), representing 2.23% of CitiPower's approved unsmoothed revenue of \$297.62 million for that year.	Yes. The additional costs incurred by Powercor as a result of the event were material. The total cost of responding to the event in 2025–26 was \$15.49 million (\$2020–21), representing 2.16% of Powercor's approved unsmoothed revenue of \$715.84 million for that year.	Yes. The additional costs incurred by United Energy as a result of the event were material. The total cost of responding to the event in 2025–26 was \$18.6 million (2020–21), representing 4.49% of United Energy's approved unsmoothed revenue of \$414.31 million for that year.
5.	What is the date on which the positive change event occurred? <sup>9</sup>	15 August 2024, being the date the AEMC made the FTA rule change.		
6.	Did CPU submit a written statement within 90 business days of the positive change event occurring? <sup>10</sup>	Yes. In response to CPU's request the AER granted an extension for submitting cost pass through applications until 15 November 2025. CPU submitted its applications on 29 September 2025.		

<sup>6</sup> NER, 6.c. 6.6.1(a1)(1) through 6.6.1(a1)(4); and chapter 10.

<sup>7</sup> NER, cl. 6.6.1(a1)(5).

<sup>8</sup> That is, does it meet the definition of a "positive change event" as defined in chapter 10 of the Rules.

<sup>9</sup> NER, cl. 6.6.1(c)(2).

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

#	Requirement of the NER	Our consideration		
		CitiPower	Powercor	United Energy
7.	Did CPU specify details of the positive change event, including the date on which the event occurred, in the written statements? <sup>11</sup>	Yes. CPU's applications (written statements) included details of the positive change event, including the date on which the event occurred.		
8.	Did CPU specify in the written statements the eligible pass through amounts, the proposed positive pass through amounts, and the amounts proposed to be recovered from customers in each regulatory year? <sup>12</sup>	Yes. CitiPower's application specified \$13.3 million (\$2025–26) as the eligible pass through amount and proposed a positive pass through amount of \$12.87 million (\$2025–26), to be recovered from customers equally across the 5 years of the 2026-31 regulatory period.	Yes. Powercor's application specified \$31.1 million (\$2025–26) as the eligible pass through amount and proposed a positive pass through amount of \$29.6 million (\$2025–26), to be recovered from customers equally across the 5 years of the 2026-31 regulatory period.	Yes. United Energy's application specified \$41.1 million (\$2025–26) as the eligible pass through amount and proposed a positive pass through amount of \$39.9 million (\$2025–26), to be recovered from customers equally across the 5 years of the 2026-31 regulatory period.
9.	Did CPU specify in the written statements evidence of the actual and likely increase in costs that occurred solely as a consequence of the positive change event? <sup>13</sup>	Yes. CitiPower's 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. <sup>14</sup>	Yes. Powercor's 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. <sup>15</sup>	Yes. United Energy's 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. <sup>16</sup>
10.	Is the pass through amount, in whole or in part, in respect of expenditure for a restricted asset? <sup>17</sup>	No.		

<sup>11</sup> NER, cl. 6.6.1(c)(1) and 6.6.1(c)(2).

<sup>12</sup> NER, cl. 6.6.1(c)(3), 6.6.1(c)(4), and 6.6.1(c)(5).

<sup>13</sup> NER, cl. 6.6.1(c)(6).

<sup>14</sup> [CitiPower 2021-26 Cost Pass Through Post Tax Revenue Model](#)

<sup>15</sup> [Powercor 2021-26 Cost Pass Through Post Tax Revenue Model](#)

<sup>16</sup> [United Energy 2021-26 Cost Pass Through Post Tax Revenue Model](#)

<sup>17</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		
		CitiPower	Powercor	United Energy
1.	We must take into account the matters and proposals set out in CPU's written statements. <sup>18</sup>	This decision sets out how we have considered the matters and proposals in CPU's pass through applications (written statements).		
2.	We must take into account the increase in costs in providing direct control services resulting from the pass through event. <sup>19</sup>	We are satisfied that the expenses incurred, and to be incurred, by CPU in providing direct control services in response to the event are incremental to existing costs provided for in the current regulatory control period. Costs to be incurred in the 2026–31 regulatory control period will be accounted for in the AER's final revenue determinations for CPU for that period.		
3.	We must take into account the efficiency of CPU's decisions and actions in relation to the risk of the event. <sup>20</sup>	We are satisfied the decisions and actions taken in responding to the event were efficient, and the scope of works to be undertaken is reasonable in the circumstances. There does not appear to be any action that CPU has failed to take to reduce the magnitude of the costs, 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>21</sup>	We have had regard to the time value of money in accounting for the recovery of the pass through amounts 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>22</sup>	We are satisfied that the costs included in our approved pass through amount were solely incurred as a result of the event. CPU has taken an appropriate approach to identify related costs and exclude non-incremental costs from its applications.		
6.	We must take into account whether the costs of the event have already been factored into CitiPower's annual revenue requirement for the current regulatory control period or will be factored into annual revenue for the next regulatory control period. <sup>23</sup>	We do not consider that the costs CPU is proposing to recover have been included in its annual revenue requirement for the current regulatory control period. Costs to be incurred in the current period are accounted for through this determination. Costs to be incurred in the 2026–31 regulatory control period will be accounted for in the AER's final revenue determinations for CPU for that period.		
7.	We must take into account the extent to which CitiPower's costs have already been funded by previous pass through determinations. <sup>24</sup>	We do not consider that any of the proposed costs have been the subject of a previous pass through determination.		

<sup>18</sup> NER, cl. 6.6.1(j)(1).

<sup>19</sup> NER, cl. 6.6.1(j)(2).

<sup>20</sup> NER, cl. 6.6.1(j)(3).

<sup>21</sup> NER, cl. 6.6.1(j)(4).

<sup>22</sup> NER, cl. 6.6.1(j)(5).

<sup>23</sup> NER, cl. 6.6.1(j)(7).

<sup>24</sup> NER, cl. 6.6.1(j)(7A).