

GPO Box 3131
Canberra ACT 2601
tel: (02) 6243 1111
www.aer.gov.au

Our Ref: 31582241
Contact Officer: David Monk
Contact Phone: [REDACTED]

29 April 2026

Megan Willcox
General Manager – Economic Regulation
ActewAGL House 40 Bunda Street
GPO Box 366
Canberra ACT 2600

By email: [REDACTED]

Dear Megan,

Re: AER Determination – Evoenergy – *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 Evoenergy's 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 Evoenergy may recover total incremental revenue of \$1.51 million (nominal, smoothed) from network users over the remaining three years of the current regulatory control period (2026–27, 2027–28 and 2028–29).

The approved pass through amount is marginally lower than Evoenergy's proposed amount, reflecting the removal of contractor labour costs inadvertently included in the cost build-up.

The approved pass through amount is estimated to incrementally increase residential bills by about \$1 and small business bills by \$6 in 2026–27, 2027–28 and 2028–29.

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 [\[REDACTED\]](mailto:[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:¹

(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 Evoenergy to undertake system and business process changes to its billing and market systems platform to implement flexible trading arrangements and comply with consequential updates to retail market and business-to-business procedures.

We consider the AEMC's rule change has the effect of substantially varying the manner in which Evoenergy provides direct control services, including changing how Evoenergy 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 Evoenergy.

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 Evoenergy incurring materially² higher costs in providing direct control services, as demonstrated in **Table 1**.

Table 1: AER – Materiality assessment (\$million, 2023–24)

Costs	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Approved pass through opex	-	-	0.00	0.00	0.00	0.01
Approved pass through capex	-	2.61	1.57	-	-	4.18
Total costs	-	2.61	1.57	0.00	0.00	4.18
AER approved unsmoothed revenues	169.83	174.35	167.74	172.81	160.61	845.33
Materiality (%)	-	1.50%	0.93%	-	-	n/a

Source: AER analysis

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

² As defined in Chapter 10 of the NER (Glossary).

3. Timing of Evoenergy's 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 14 November 2024, Evoenergy applied for an extension until 15 November 2025, citing the need to factor in AEMO's scoping work (due July 2025) and the final guideline (due December 2025), noting that the costs were highly dependent on these two factors. The AER extended the submission deadline to 15 November 2025.

Evoenergy subsequently sought a further extension until 15 December 2025, noting that AEMO's final guideline differed in several respects from the earlier draft. The AER granted this extension. Evoenergy submitted its application on 8 December 2025.

4. Assessment of the pass through amounts

In assessing Evoenergy's pass through application, the NER requires the AER to consider a number of factors³ to determine whether the proposed level of costs is prudent and efficient.

We reviewed the cost estimates submitted by Evoenergy, along with the supporting cost pass through documentation, including the cost build-up model and the updated post-tax revenue model (PTRM). Our assessment identified that the cost build-up model included \$0.1 million (2025–26) in contractor labour costs for subject matter expertise which appeared duplicative of internal labour costs. Evoenergy confirmed these costs were included in error, and we have therefore excluded this amount from the approved pass through amount.

In summary, our assessment found that:

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

The need for, and scope of, this investment is established by the AEMC's rule change. Based on our assessment, we consider Evoenergy's forecast likely reflects the efficient costs of necessary system and process changes for Evoenergy, consistent with the requirements under the FTA rule change.

5. Approved pass through amount

Our determination is to allow for total incremental costs of \$4.5 million (\$nominal) in capex. The incremental revenue associated with these costs (the approved pass through amount) is detailed in **Table 2**.

³ Cl. 6.6.1(j) of the NER.

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

\$million (nominal)	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Return on capital	-	-	0.17	0.26	0.24	0.67
Return of capital (regulatory depreciation)	-	-	0.21	0.36	0.38	0.95
Operating expenditure	-	-	0.00	0.00	0.00	0.01
Revenue adjustments	-	-	-	-	-	-
Net tax allowance	-	-	-0.04	-0.04	-0.02	-0.10
Incremental annual revenue requirement (unsmoothed)	-	-	0.34	0.58	0.61	1.53
Incremental annual expected revenue (smoothed)	-	-	0.51	0.50	0.50	1.51

Note: Numbers may not add due to rounding.

6. Timing of cost pass through recovery

Our determination is to approve a positive pass through amount of \$1.5 million (nominal, smoothed), to be recovered via the X-factor over the final three years of the current regulatory period (2026–27, 2027–28 and 2028–29). This approach smooths the bill impact of the pass through event on customers and aligns cost recovery with asset lives (noting that Evoenergy’s incremental costs are capex in nature rather than opex).

This is estimated to result in an incremental increase of approximately \$1 to the annual bill for residential customers and \$6 for small business customers in 2026–27, 2027–28, and 2028–29.

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? ⁴	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 Evoenergy's 2020–25 distribution determination as a pass through event for that determination? ⁵	No.
3.	Was the pass through event a consequence of acts or omissions of Evoenergy?	No. There is no evidence that Evoenergy's acts or omissions materially contributed to the costs of the event.
4.	Did the pass through event entail Evoenergy incurring materially higher costs in providing direct control services than it would have incurred but for the event? ⁶	Yes. The additional costs incurred by Evoenergy as a result of the event were material. The estimated capex cost of responding to the event in 2025–26 was \$2.61 million (\$2023–24), representing 1.50% of Evoenergy's approved unsmoothed revenue of \$174.35 million for that year.
5.	What is the date on which the positive change event occurred? ⁷	15 August 2024, being the date the AEMC made the FTA rule change.
6.	Did Evoenergy submit a written statement within 90 business days of the positive change event occurring? ⁸	Yes. In response to Evoenergy's request, the AER granted two extensions for submitting a cost pass through application, with the final date set for 15 December 2025. Evoenergy submitted its application on 8 December 2025.
7.	Did Evoenergy specify details of the positive change event, including the date on which the event occurred, in its written statement? ⁹	Yes. Evoenergy's application (written statement) included details of the positive change event, including the date on which the event occurred.
8.	Did Evoenergy 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? ¹⁰	Yes. Evoenergy's application specified \$4.5 million (nominal) as the eligible pass through amount and proposed a positive pass through amount of \$1.5 million (nominal, smoothed), to be recovered from customers in 2026–27. Evoenergy's covering letter to the application proposed that the pass through amount be recovered over the remaining 3 years of the regulatory period. We have adopted this latter approach.
9.	Did Evoenergy 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? ¹¹	Yes. Evoenergy'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.
10.	Is the pass through amount, in whole or in part, in respect of expenditure for a restricted asset? ¹²	No.

⁴ NER, cl. 6.6.1(a1)(1) through 6.6.1(a1)(4); and chapter 10.

⁵ NER, cl. 6.6.1(a1)(5).

⁶ That is, does it meet the definition of a "positive change event" as defined in chapter 10 of the Rules.

⁷ NER, cl. 6.6.1(c)(2).

⁸ NER, cl. 6.6.1(c).

⁹ NER, cl. 6.6.1(c)(1) and 6.6.1(c)(2).

¹⁰ NER, cl. 6.6.1(c)(3), 6.6.1(c)(4), and 6.6.1(c)(5).

¹¹ NER, cl. 6.6.1(c)(6).

¹² 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 Evoenergy's written statement. ¹³	This decision sets out how we have considered the matters and proposals in Evoenergy's 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. ¹⁴	We are satisfied that the expenses incurred, and to be incurred, by Evoenergy 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 Evoenergy's decisions and actions in relation to the risk of the event. ¹⁵	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 Evoenergy 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. ¹⁶	We have had regard to the time value of money in accounting for the recovery of the pass through amount in 2026–27, 2027–28 and 2028–29.
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. ¹⁷	We are satisfied that the costs included in our approved pass through amount were solely incurred as a result of the event. Our assessment identified and excluded \$81,098 in contractor labour costs from the proposed amount, which had been inadvertently included. Evoenergy 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 Evoenergy's annual revenue requirement for the current regulatory control period or will be factored into annual revenue for the next regulatory control period. ¹⁸	We do not consider that the costs Evoenergy 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 Evoenergy's costs have already been funded by previous pass through determinations. ¹⁹	We do not consider that any of the proposed costs have been the subject of a previous pass through determination.

¹³ NER, cl. 6.6.1(j)(1).

¹⁴ NER, cl. 6.6.1(j)(2).

¹⁵ NER, cl. 6.6.1(j)(3).

¹⁶ NER, cl. 6.6.1(j)(4).

¹⁷ NER, cl. 6.6.1(j)(5).

¹⁸ NER, cl. 6.6.1(j)(7).

¹⁹ NER, cl. 6.6.1(j)(7A).