

# Final decision

**AusNet electricity distribution determination**  
1 July 2026 to 30 June 2031

**Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax**

**May 2026**

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# 1 Building block approach

We determine the distributor’s annual revenue requirement (ARR) using a building block approach. The efficient costs to be recovered by a distributor can be thought of as being made up of various building block costs. Our final decision assesses each of the building block costs and the elements that drive these costs. The building block costs are approved reflecting trade-offs and interactions between the cost elements, service quality and across years.

Table 1.1 shows the building block costs that form the ARR for each year and where discussion on the elements that drive these costs can be found within this final decision.

**Table 1.1 Building block costs**

<b>Building block costs</b>	<b>Attachments where elements are discussed</b>
Return on capital	Building block approach – Regulatory asset base (Attachment 1) Rate of return (Overview) Capital expenditure (Attachment 2)
Regulatory depreciation (return of capital)	Building block approach – Regulatory asset base (Attachment 1) Building block approach – Regulatory depreciation (Attachment 1) Expected inflation rate (Overview) Capital expenditure (Attachment 2)
Operating expenditure	Operating expenditure (Attachment 3)
Estimated cost of corporate income tax	Building block approach – Corporate income tax (Attachment 1)
Other revenue adjustments	
Adjustments for shared assets	Building block approach – Annual revenue requirement (Attachment 1)
Operating efficiency benefits/penalties	Efficiency benefit sharing scheme (Attachment 5)
Capital efficiency benefits/penalties	Capital expenditure sharing scheme (Attachment 6)
Demand management innovation allowance	Demand management incentive scheme and Demand management innovation allowance mechanism (Overview)

## 1.1 Annual revenue requirement

This section sets out our final decision on AusNet’s ARR and expected revenues for the provision of standard control services (SCS) over the 2026–31 regulatory control period. Specifically, it sets out our final decision on:<sup>1</sup>

- the ARRs (unsmoothed), which are the sum of annual building block costs
- the total revenue requirement, which is the sum of the ARRs
- the annual expected revenues (smoothed)
- the X factors.

We determine AusNet’s ARRs using a building block approach. We determine the X factors by smoothing the ARRs over the 2026–31 period. The X factor is used in the CPI–X methodology to determine the annual expected revenues (smoothed).<sup>2</sup>

### 1.1.1 Final decision

We determine a total ARR of \$4,755.5 million (\$ nominal, unsmoothed) for AusNet over the 2026–31 period. This amount reflects our final decision on the various building block costs and represents a reduction of \$186.9 million (3.8%) to AusNet’s revised proposal.

Our final decision on incentive scheme outcomes has driven a lower revenue adjustments building block due to a change from an efficiency benefit sharing scheme (EBSS) benefit to a penalty, and a larger capital expenditure sharing scheme (CESS) penalty compared to AusNet’s revised proposal. Our reduction to AusNet’s forecast capital expenditure (capex) also contributed to a lower return on capital and regulatory depreciation building blocks in this final decision.

We determine the annual expected revenue (smoothed) and X factor for each regulatory year for the 2026–31 period by smoothing the ARRs. Our final decision is to approve total expected revenues of \$4,748.3 million (\$ nominal, smoothed) for AusNet for the 2026–31 period.

Table 1.2 sets out our final decision on the building block costs, the ARR, annual expected revenue and X factor for AusNet over the 2026–31 period.

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<sup>1</sup> NER, cll. 6.3.2(a)(1), 6.5.9(a) and 6.5.9(b)(1)–(2).

<sup>2</sup> NER, cll. 6.2.6(a) and 6.5.9.

**Table 1.2 AER’s final decision on AusNet’s ARR, annual expected revenue and X factor for the 2026–31 period (\$ million, nominal)**

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Return on capital	394.4	422.6	454.2	487.2	522.6	2,281.0
Regulatory depreciation <sup>a</sup>	177.4	184.6	196.0	196.3	176.9	931.2
Operating expenditure <sup>b</sup>	323.6	337.4	353.8	369.8	390.0	1,774.5
Revenue adjustments <sup>c</sup>	–43.8	–38.6	–54.7	–63.8	–30.4	–231.2
Cost of corporate income tax	0.0	0.0	0.0	0.0	0.0	0.0
Annual revenue requirement (unsmoothed)	851.6	906.0	949.3	989.4	1,059.2	4,755.5
<b>Annual expected revenue (smoothed)</b>	<b>874.6</b>	<b>910.6</b>	<b>948.1</b>	<b>987.1</b>	<b>1,027.7</b>	<b>4,748.3</b>
X factor <sup>d</sup>	n/a <sup>e</sup>	–1.46%	–1.46%	–1.46%	–1.46%	n/a

Source: AER analysis.

- (a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening regulatory asset base (RAB).
- (b) Includes debt raising costs.
- (c) Includes revenue adjustments, where applicable, from the efficiency benefit sharing scheme (EBSS), the capital expenditure sharing scheme (CESS) and the demand management innovation allowance mechanism (DMIAM).
- (d) The X factors will be revised to reflect the annual return on debt update. Under the CPI–X framework, the X factor measures the real rate of change in annual expected revenue from one year to the next. A negative X factor represents a real increase in revenue. Conversely, a positive X factor represents a real decrease in revenue.
- (e) AusNet is not required to apply an X factor for 2026–27 because we set the 2026–27 expected revenue in this decision. The expected revenue for 2026–27 is around 4.4% lower than the approved total annual revenue for 2025–26 in real terms, or 1.9% lower in nominal terms.

### 1.1.2 AusNet’s revised proposal

AusNet’s revised proposal included a total expected revenue (smoothed) of \$4,938.9 million (\$ nominal) for the 2026–31 period. Its revised proposal sets out the details of its building block costs, the ARR, annual expected revenue and X factors over the 2026–31 period.<sup>3</sup>

### 1.1.3 Assessment approach

We did not change the building block approach we use to determine the expected revenue from our draft decision. Attachment 1 (appendix A.1) of our draft decision details that approach.<sup>4</sup>

<sup>3</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, p. 50; AusNet, *ASD - AusNet Distribution – PTRM Model*, December 2025.

<sup>4</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, p. 45.

### 1.1.4 Reasons for final decision

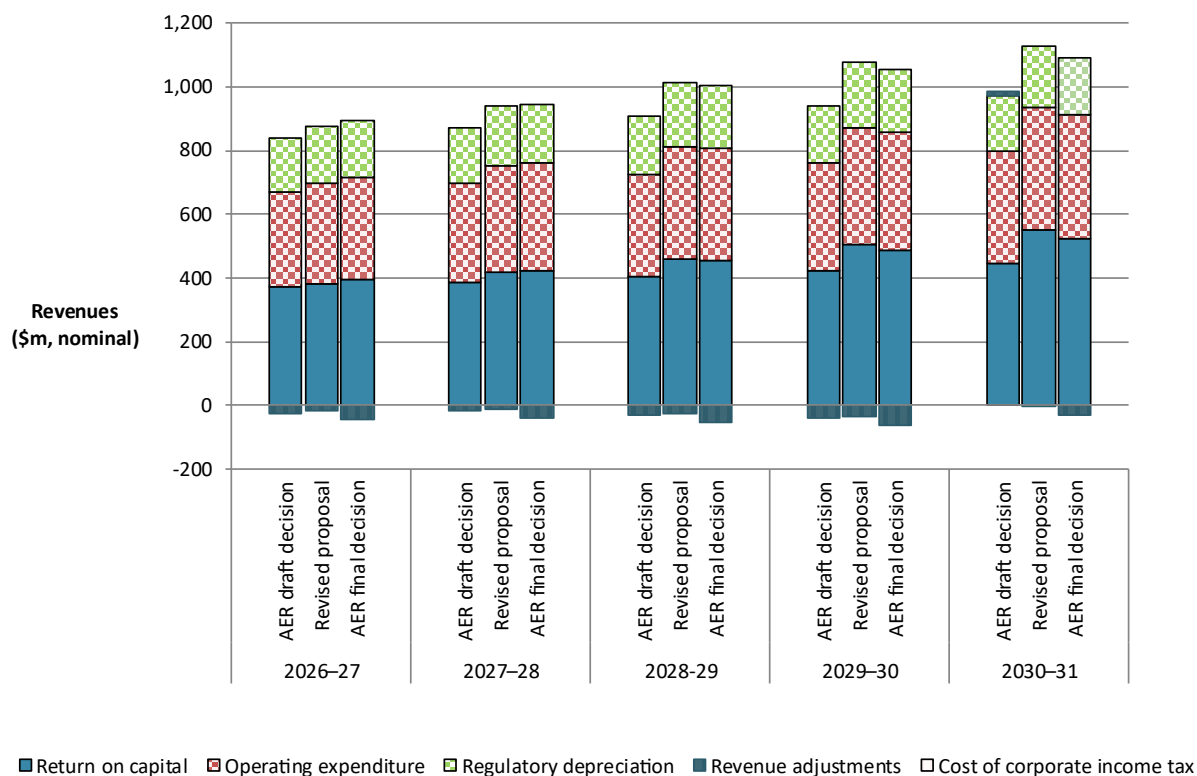
We determine a total ARR of \$4,755.5 million (\$ nominal, unsmoothed) for AusNet over the 2026–31 period. This is a reduction of \$186.9 million (3.8%) to AusNet’s revised proposed total ARR of \$4,942.4 million for this period. This reflects the impact of our final decision on the various building block costs.

The changes we made to AusNet’s revised proposal building blocks include (in nominal terms):

- A reduction in the return on capital of \$31.5 million or 1.4% (section 1.2, Overview section 2.2 and Attachment 2). This is primarily driven by our reductions to AusNet’s proposed forecast capex (Attachment 2). Our final decision to apply a lower opening RAB as at 1 July 2026 (section 1.2), has further reduced the return on capital building block. This is partially offset by a higher rate of return (Overview section 2.2) in our final decision to reflect changes in financial market data, observed in accordance with the *2022 Rate of Return Instrument*.
- A reduction in the regulatory depreciation of \$39.6 million or 4.1% (section 1.3). This is primarily due to our final decision to reduce AusNet’s forecast capex, which has reduced straight-line depreciation in the 2026–31 period. Our final decisions to apply a lower opening RAB have further reduced the regulatory depreciation building block. This is partially offset by a higher expected inflation rate for the 2026–31 period,
- An increase in the opex forecast of \$17.3 million or 1.0% (Attachment 3). This is primarily driven by our final decision to use a later base year (2024–25) which better reflects a typical year’s operating costs to forecast total opex.
- A reduction in the revenue adjustments of \$133.1 million or 135.8% (Attachments 5 and 6). This is primarily driven by our final decision to apply an EBSS (Attachment 5) penalty instead of a benefit, and a higher CESS (Attachment 6) penalty compared to AusNet’s revised proposal. Our final decision also applies a lower DMIAM amount (Attachment 8).
- No change in the cost of corporate income tax of zero (section 1.4).

Figure 1.1 shows the building block components from our final decision that make up the ARRs for AusNet, and the corresponding components from its revised proposal and our draft decision.

**Figure 1.1 AER's draft and final decisions, and AusNet's revised proposal ARR (\$ million, nominal)**



Source: AER analysis, AusNet, ASD - AusNet Distribution - PTRM Model, December 2025.  
 Note: Revenue adjustments include EBSS, CESS and DMIAM amounts. Opex includes debt raising costs.

### 1.1.4.1 X factor and annual expected revenue

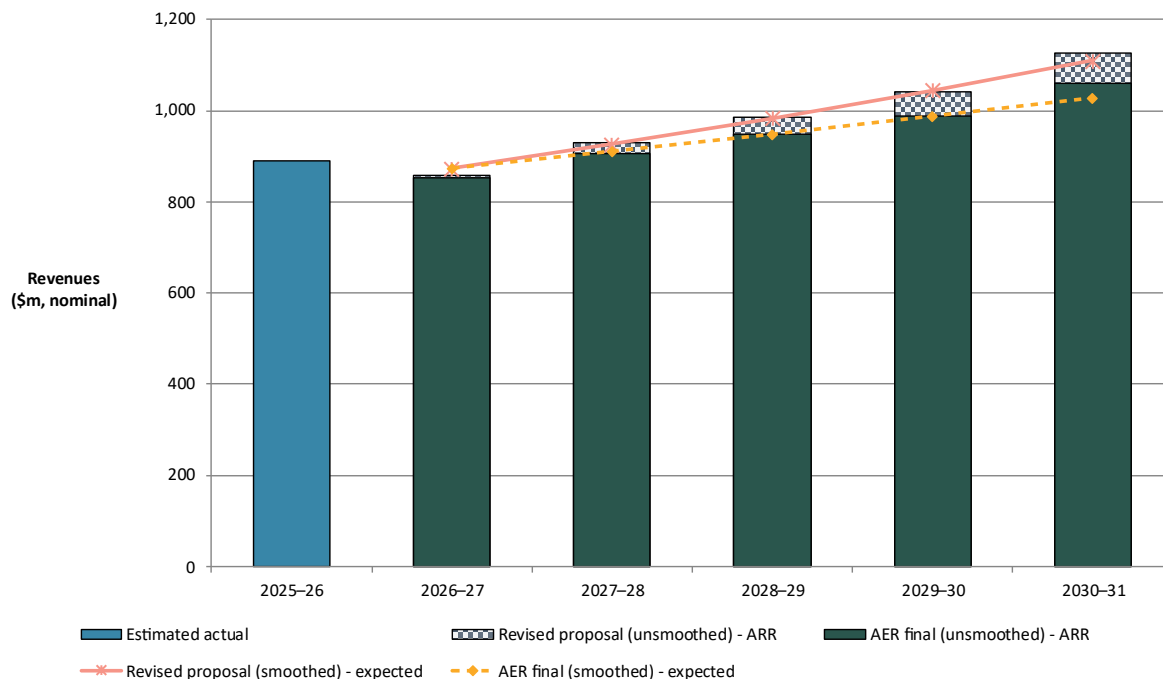
To determine the profile of expected revenue for AusNet over the 2026–31 period, we have set the expected revenue for the first regulatory year at \$874.6 million (\$ nominal). This is \$23.1 million higher than the ARR for that first year. We then apply an expected inflation rate of 2.62% per annum and a profile of X factors to determine the expected revenue in subsequent years.<sup>5</sup>

For this final decision, we determine X factors for AusNet of –1.46% per annum from 2027–28 to 2030–31. The net present value (NPV) of the ARRs is \$3,939.9 million (\$ nominal) as at 1 July 2026. Based on this NPV and applying the CPI–X framework, we determine that the expected revenue (smoothed) for AusNet is \$874.6 million in 2026–27 increasing to \$1,027.7 million in 2030–31 (\$ nominal). The resulting total expected revenue is \$4,748.3 million for the 2026–31 period.

Figure 1.2 shows our final decision on AusNet’s annual expected revenue (smoothed revenue) and the ARR (unsmoothed revenue) for the 2026–31 period.

<sup>5</sup> NER, cl. 6.5.9(a).

**Figure 1.2 AER's final decision on AusNet's revenue for the 2026–31 period (\$ million, nominal)**



Source: AER analysis, AusNet, ASD - AusNet Distribution - PTRM Model, December 2025.

The X factors we set minimise, as far as reasonably possible, the variance between the expected revenue (smoothed) and the ARR (unsmoothed) in the last year of the 2026–31 period.<sup>6</sup> This helps to minimise any potential large revenue variance (and thus price shocks) at the commencement of the 2031–36 period. Our standard approach has been to keep a divergence of up to  $\pm 3\%$  between the smoothed and unsmoothed revenues for the last year of the regulatory control period. This is with the objective to achieve smoother price changes across regulatory control periods.

Our draft decision revenue smoothing profile provided a final year revenue difference of  $-3\%$ . AusNet's revised proposal revenue smoothing profile adopted a final year revenue difference of  $-1.5\%$  which is within our preferred  $\pm 3\%$  threshold. We did not receive any stakeholder submissions on revenue smoothing.

For this final decision, we have approved lower revenues than AusNet's revised proposal. This is mainly driven by our final decisions to apply incentive scheme penalties and our reduction to its forecast capex. Further reductions to revenues are due to our updates for external economic factors including a higher expected inflation rate, which reduces the regulatory depreciation building block.

Consistent with our draft decision, this final decision allows for higher overall revenues than those determined in the 2021–26 period (discussed further below). AusNet's unsmoothed revenue for the first year of the 2026–31 period (2026–27) is about 4.4% (\$ nominal) lower

<sup>6</sup> NER, cl. 6.5.9(b)(2).

than the approved revenue for the last year of the 2021–26 period (2025–26). It then increases by an average of 5.6% per annum over the remaining 4 years of the period.

We are mindful of the impact this revenue increase over the final 4 years of the period could have on network charges for AusNet’s customers (in the event forecast energy growth is lower than expected). Consequently, we have smoothed the expected revenues by reducing the increases over the final 4 years of the 2026–31 period and passing on an appropriate reduction in 2026–27.

Our final decision revenue smoothing results in a final year difference of –3%.<sup>7</sup> On balance, we consider that our profile of X factors for this final decision results in an expected revenue in the last year of the 2026–31 period that is as close as reasonably possible to the ARR for that year.<sup>8</sup> We are satisfied that our revenue smoothing approach balances the need of promoting smoother price changes for customers across the 2026–31 period and minimising a large revenue variance at the commencement of the subsequent regulatory control period (2031–36).

Our final decision results in an:

- Average increase of 2.9% per year (\$ nominal) in the expected revenue over the 2026–31 period.<sup>9</sup> This consists of an initial reduction of 1.9% for 2026–27, followed by average annual increases of 4.1% during the remainder of the 2026–31 period.<sup>10</sup>
- Increase of \$1,176.5 million (32.9%) in nominal dollar terms to AusNet’s total ARR relative to the 2021–26 period.<sup>11</sup> This is because:
  - Approximately 50% of the increase is due to factors largely outside the control of AusNet. This includes higher actual inflation rates for the 2021–26 period, which increase the indexation component of the opening RAB at 1 July 2026. It is also driven by a higher rate of return on equity and interest rates for the 2026–31 period, which lead to a higher forecast rate of return (Overview section 2.2). Together, these changes in market variables result in a higher return on capital building block compared to the current period.
  - The remaining 50% of the increase is driven by other factors. These include actual capex in the current 2021–26 period, which is higher than the amount approved in the 2021–26 determination and forecast capex determined for the 2026–31 period that is driving further moderate growth in the forecast RAB in real terms. It is also driven by higher opex determined in this final decision for the 2026–31 period compared to the 2021–26 period.

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<sup>7</sup> A negative final year difference means our 2030–31 expected revenue is lower than the ARR for that year.

<sup>8</sup> NER, cl. 6.5.9(b)(2).

<sup>9</sup> In real 2025–26 dollar terms, our approved expected revenue for AusNet results in an average increase of 0.3% per annum over the 2026–31 period.

<sup>10</sup> In real 2025–26 dollar terms, this consists of an initial reduction of 4.4% in 2026–27, followed by average annual increases of 1.5% during the remainder of the 2026–31 period.

<sup>11</sup> In real 2025–26 dollar terms, our final decision results in an increase of \$343.4 million (8.5%) to AusNet’s total ARR relative to that in the 2021–26 period.

### 1.1.4.2 Shared assets

Our final decision is not to apply a shared asset revenue adjustment to AusNet’s total expected revenue for the 2026–31 period.

In our draft decision, we did not apply a shared asset revenue adjustment to AusNet’s revenues because we estimated that the unregulated revenues were less than 1% of its expected revenues in each year of the 2026–31 period. Therefore, the materiality threshold was not met in any year of the 2026–31 period.<sup>12</sup> AusNet’s revised proposal adopted our draft decision position.<sup>13</sup>

Using the same assessment approach employed in our draft decision, we consider that the materiality threshold is also not met in any year of the 2026–31 period for this final decision. We therefore do not apply a shared asset revenue adjustment.

### 1.1.4.3 Indicative average distribution price impact

Our final decision on AusNet’s expected revenues ultimately affects the prices consumers pay for electricity. There are several steps required in translating our revenue decision into indicative distribution price impacts.

We regulate AusNet’s SCS under a revenue cap form of control. This means our final decision on AusNet’s expected revenues does not directly translate to price impacts. This is because AusNet’s revenue is fixed under the revenue cap form of control, so changes in the consumption of electricity will affect the prices ultimately charged to consumers.

We are not required to establish the distribution prices for AusNet as part of this determination. However, we will assess AusNet’s annual pricing proposals before the commencement of each regulatory year within the 2026–31 period. In each assessment we will administer the pricing requirements set in this distribution determination.

For this final decision, we have estimated some of the indicative average distribution price impacts flowing from our determination on the expected revenues for AusNet over the 2026–31 period. In this section, our estimates only relate to SCS (that is, the core electricity distribution charges), not alternative control services (such as metering or public lighting). These indicative price impacts assume that the actual energy consumption over the period matches AusNet’s forecast energy consumption, which we have adopted for calculating the indicative price path. Consistent with our draft decision, we have maintained the sensitivities of the price impacts to changes in forecast energy delivered used in our final decision at section 1.1.4.5. We have not factored in any changes arising from incentive scheme amounts, cost pass throughs or unders/overs reconciliation that usually occur in the annual pricing process to come up with total allowed revenue.

Figure 1.3 shows AusNet’s indicative distribution price paths over the period from 2021–22 to 2030–31 in real 2025–26 dollar terms based on the expected revenues established in our final decision compared to AusNet’s revised proposed revenue requirement. The indicative

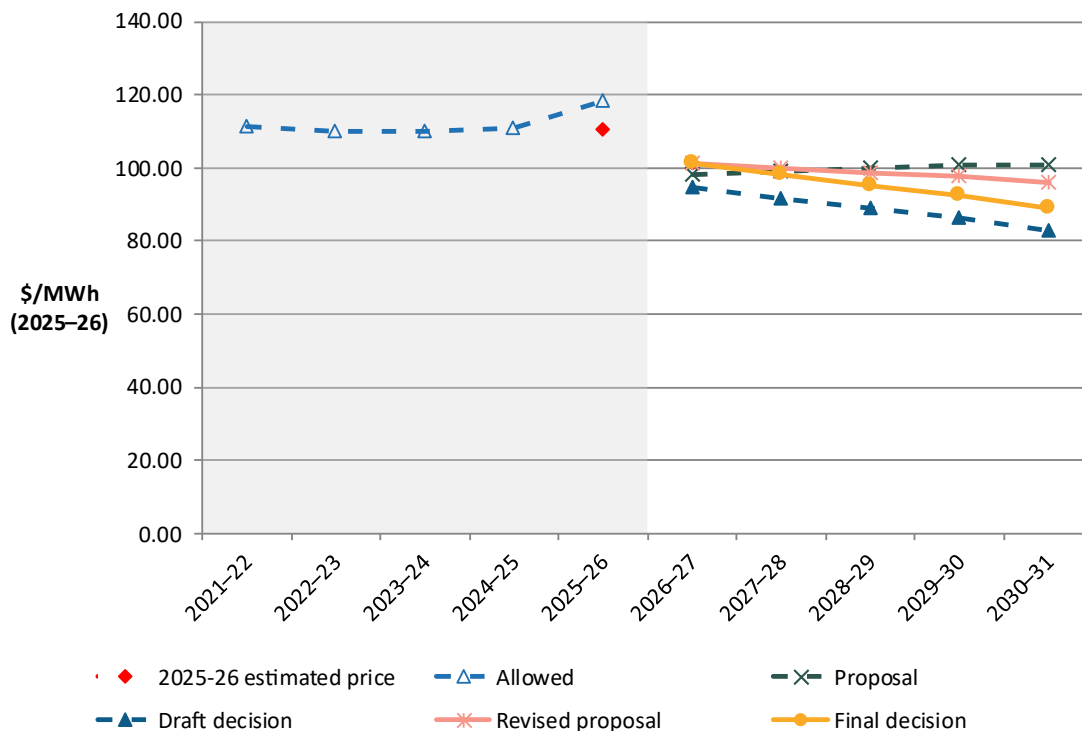
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<sup>12</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 7–8.

<sup>13</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, p. 49.

price path is estimated using the approved expected revenue and dividing by forecast energy consumption for each year of the 2021–26 period.

**Figure 1.3 Indicative distribution price path for AusNet (\$/MWh, 2025–26)**



Source: AER analysis,

We estimate that our final decision on AusNet’s annual expected revenue will result in a reduction to average distribution charges of about 4.2% per annum over the 2026–31 period in 2025–26 dollar terms.<sup>14</sup> This compares to the real average reduction of approximately 2.7% per annum over the 2026–31 period in AusNet’s revised proposal. These high-level estimates reflect the aggregate change across the entire network and do not reflect the particular tariff components for specific end users.

Table 1.3 displays in nominal terms the comparison of the price impacts of AusNet’s revised proposal and our final decision.

<sup>14</sup> In nominal terms, we estimate average distribution charges to reduce by 1.7% per annum. This amount reflects an expected inflation rate of 2.62% per annum as determined in this final decision

**Table 1.3 Comparison of price impact of AusNet’s revised proposal and the AER’s final decision (\$ nominal)**

	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31
<b>AER final decision</b>						
Price path (\$/MWh) <sup>a</sup>	110.2	103.9	103.3	102.7	102.4	101.1
Price path (change %)	–	–5.8%	–0.6%	–0.5%	–0.4%	–1.2%
<b>AusNet’s revised proposal</b>						
Price path (\$/MWh) <sup>a</sup>	110.2	103.7	105.2	106.7	108.4	109.1
Price path (change %)	–	–5.9%	1.4%	1.4%	1.6%	0.7%

Source: AER analysis; AusNet, *ASD – AusNet Distribution – PTRM Model*, December 2025.

(a) The price path is in nominal terms and is constructed by dividing the nominal expected revenue for SCS by forecast energy consumption for each year of the period.

#### 1.1.4.4 Expected impact of final decision on electricity bills

The annual electricity bill for customers in AusNet’s network reflects the combined cost of all the electricity supply chain components— wholesale energy generation, transmission, distribution, metering and retail costs. This final decision primarily relates to the distribution charges for AusNet’s SCS, which represent on average approximately 35% of residential customers annual electricity bills and 45% of small business customers’ annual electricity bills in AusNet’s network area.<sup>15</sup>

We estimate the expected bill impact by varying the distribution charges in accordance with our final decision, while holding all other components—including the metering component—constant.<sup>16</sup> This approach isolates the effect of our final decision on the SCS distribution charges only for AusNet. However, this does not imply that the other components will remain unchanged across the period.<sup>17</sup>

Based on this approach, we expect that our final decision on the distribution component will reduce the average annual residential electricity bill in 2030–31 by about \$55 (\$ nominal) or 2.9% from the 2025–26 total bill level. By comparison, had we accepted AusNet’s revised proposal, the expected change in the distribution component would reduce the average annual residential electricity bill in 2030–31 by about \$7 (\$ nominal) or 0.3% from the total 2025–26 total bill level.

<sup>15</sup> AER analysis; AusNet, *2025–26 - Final - SCS pricing model*; Essential Services Commission, *Victorian Default Offer 2025–26: Decision Model*, 21 May 2025.

<sup>16</sup> We also have not factored in any changes arising from incentive scheme amounts, cost pass throughs or unders/overs reconciliation that usually occur in the annual pricing process. The other components that make up a typical electricity bill are held constant at the levels established in the 2025–26 Victorian default offer.

<sup>17</sup> It also assumes that actual energy consumption will equal the forecast adopted in our final decision. Since AusNet operates under a revenue cap, changes in energy consumption will also affect annual electricity bills across the 2026–31 period.

Our estimated bill impact is based on the typical annual electricity usage of 4,000 kWh and for residential customers in AusNet’s network.<sup>18</sup> Therefore, customers with different usage will experience different changes in their bills. We also note that there are other factors, such as metering, wholesale and retail costs, which affect electricity bills.

Similarly, for average small business customers in AusNet’s network, we have estimated the bill impact for two customer categories:<sup>19</sup>

- consuming 10,000 kWh per annum, which the Essential Services Commission of Victoria (ESCV) noted as the ‘representative’ usage comparable to that adopted for default market offers in other jurisdictions
- consuming 20,000 kWh per annum, which the ESCV had historically adopted as average annual usage for small business customers in Victoria.

We expect that our final decision on the distribution component will reduce the average electricity bill in 2030–31 for a small business customer (10,000 kWh) by about \$165 (\$ nominal) or 3.8% from the 2025–26 total bill level. By comparison, had we accepted AusNet’s revised proposal, the expected change in the distribution component would reduce the average annual small business electricity bill in 2030–31 by about \$20 (\$ nominal) or 0.5% from the 2025–26 total bill level.

Likewise, the distribution component is expected to reduce the average annual electricity bill in 2030–31 for a small business customer (20,000 kWh) by about \$317 (\$ nominal) or 3.8% from the 2025–26 total bill level. By comparison, had we accepted AusNet’s revised proposal, the expected change in the distribution component would increase the average annual small business electricity bill in 2030–31 by about \$38 (\$ nominal) or 0.5% from the 2025–26 total bill level.

Table 1.4 shows the estimated impact of our final decision and AusNet’s revised proposal on the average annual electricity bills for residential and small business customers in its network over the 2026–31 period.

**Table 1.4 Estimated impact of AusNet’s revised proposal and AER’s final decision on annual electricity bills for the 2026–31 period (\$ nominal)**

	2025–26 <sup>a</sup>	2026–27	2027–28	2028–29	2029–30	2030–31
<b>AER final decision</b>						
Residential (4,000 kWh consumption)	1,908	1,869	1,866	1,863	1,860	1,853
Annual change <sup>b</sup>	–	–39 (–2.0%)	–3 (–0.2%)	–3 (–0.2%)	–2 (–0.1%)	–8 (–0.4%)

<sup>18</sup> Essential Services Commission, *Victorian Default Offer 2025–26: Decision Model*, 21 May 2025.

<sup>19</sup> Essential Services Commission, *Victorian Default Offer 2025–26: Decision Model*, 21 May 2025

	2025–26 <sup>a</sup>	2026–27	2027–28	2028–29	2029–30	2030–31
Small business (10,000 kWh consumption)	4,398	4,283	4,272	4,262	4,256	4,233
Annual change <sup>b</sup>	–	–115 (–2.6%)	–10 (–0.2%)	–10 (–0.2%)	–7 (–0.2%)	–23 (–0.5%)
Small business (20,000 kWh consumption)	8,279	8,058	8,038	8,019	8,006	7,962
Annual change	–	–221 (–2.7%)	–20 (–0.2%)	–19 (–0.2%)	–13 (–0.2%)	–44 (–0.6%)
<b>AusNet’s revised proposal</b>						
Residential (4,000 kWh consumption)	1,908	1,868	1,877	1,886	1,897	1,901
Annual change <sup>b</sup>	–	–40 (–2.1%)	9 (0.5%)	9 (0.5%)	10 (0.6%)	5 (0.2%)
Small business (10,000 kWh consumption)	4,398	4,280	4,306	4,333	4,364	4,378
Annual change <sup>b</sup>	–	–118 (–2.7%)	26 (0.6%)	27 (0.6%)	31 (0.7%)	14 (0.3%)
Small business (20,000 kWh consumption)	8,279	8,052	8,103	8,155	8,215	8,241
Annual change	–	–227 (–2.7%)	51 (0.6%)	52 (0.6%)	60 (0.7%)	26 (0.3%)

Source: AER analysis; AusNet, *ASD - AusNet Distribution – PTRM Model*, December 2025.

- (a) Essential Services Commission, *Victorian Default Offer 2025–26*, 21 May 2025, pp. 12–14; Essential Services Commission, *Victorian Default Offer 2025–26: Decision Model*, 21 May 2025.
- (b) Annual change amounts and percentages are indicative. They are derived by varying the distribution component of the 2025–26 bill amounts in proportion to yearly expected revenue divided by the forecast energy proposed by AusNet. Actual bill impacts will vary depending on electricity consumption and tariff class.

#### 1.1.4.5 Sensitivity of forecast energy delivered on bills

The impact of our final decision on customer bills is likely to change over the 2026–31 period. AusNet forecast the amount of annual energy delivered through its network will increase from 8,084 GWh in 2025–26 to 10,165 GWh in 2030–31, a significant increase of 2,081 GWh, or 25.7% over the period.<sup>20</sup> This is the forecast that has informed the illustrative estimates of

<sup>20</sup> AusNet provided updated energy delivered data in its revised proposal which were higher compared to those initially proposed.

tariff and bill impacts in this final decision. A variance in actual energy consumption, compared to that forecast by AusNet would lead to bill impacts that are higher or lower than what we have estimated.

In our draft decision, we noted stakeholders had welcomed the proposed moderate impact on customer bills. However, they raised concerns that the proposed increase in revenues were tied to proposed material forecast increases in electricity demand resulting in low estimated impacts on electricity bills.<sup>21</sup> These stakeholders highlighted there is a degree of uncertainty and risk around the demand forecasts proposed by AusNet, noting that if actual energy delivered over the 2026–31 period is less than forecast, distribution network tariffs and customer bills would be higher, all else being equal.<sup>22</sup> This is because AusNet operates under a revenue cap and is therefore entitled to recover the revenue we determine, regardless of the actual energy delivered.

For example, if energy delivered were to increase over the period at 40% of the rate forecast by AusNet, the modelled impact on average annual bills would be:<sup>23</sup>

- a nominal increase of \$30 (1.6%) by 2030–31 for a residential customer
- a nominal increase of \$91 (2.1%) by 2030–31 for a small business customer (10,000 kWh).

Figure 1.3 and Figure 1.5 respectively shows the average annual bill (\$ nominal) for a typical residential customer and small business customer for a range of alternative energy delivered forecasts. This analysis models the bill impacts of our final decision revenue using increments in the rate of growth of energy delivered forecasts up to the proposed level.<sup>24</sup> Under this range of energy delivered forecasts:

- a residential customer bill in 2030–31 ranges from \$1,853 based on AusNet’s revised proposed forecast energy delivered, to \$1,973 based on forecast energy delivered at 20% of the proposed growth rate
- a small business customer (10,000 kWh) bill in 2030–31 ranges from \$4,233 based on AusNet’s revised proposed forecast energy delivered, to \$4,591 based on forecast energy delivered at 20% of the proposed growth rate.

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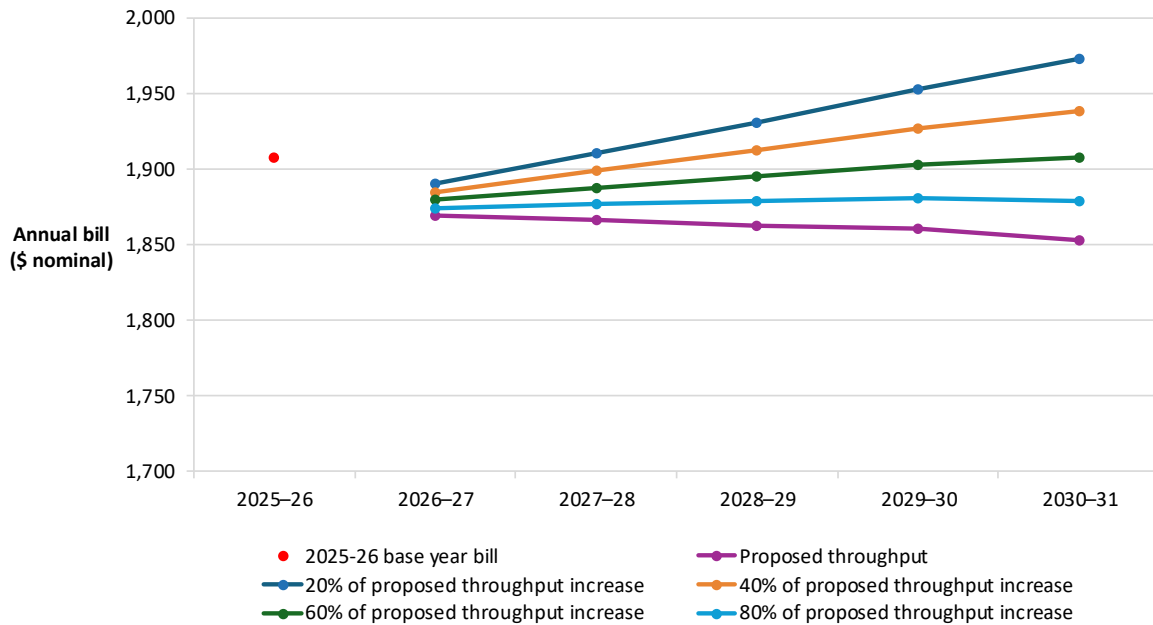
<sup>21</sup> Hon Lily D’Ambrosio MP, *Issues Papers – Electricity Distribution Determination for 2026–31*, 3 June 2025, p. 1; CCP32, *Advice to the Australian Energy Regulator on the 2026–31 Regulatory Proposal for Powercor Electricity Distribution Network*, 14 May 2025, pp. 20–21.

<sup>22</sup> Hon Lily D’Ambrosio MP, *Issues Papers – Electricity Distribution Determination for 2026–31*, 3 June 2025, p. 1; CCP32, *Advice to the Australian Energy Regulator on the 2026–31 Regulatory Proposal for AusNet Services electricity distribution network*, 14 May 2025, p. 20.

<sup>23</sup> This would therefore reflect energy throughput of 8,916 GWh in 2030–31, or an increase in energy throughput over the period of 10.3% compared to the 25.7% increase proposed by AusNet.

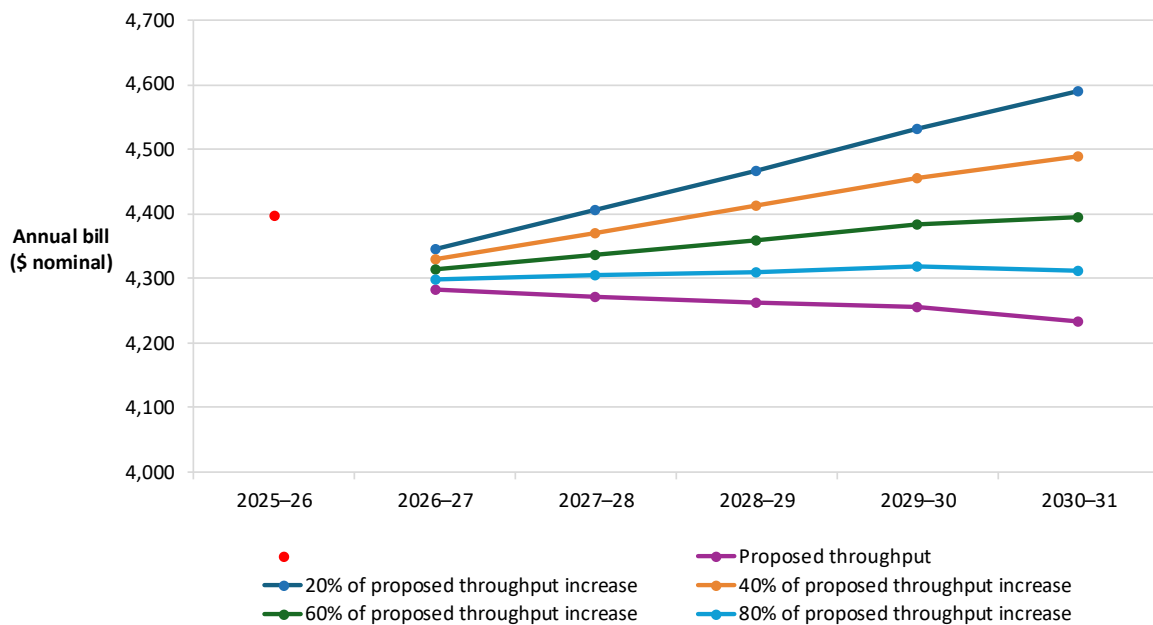
<sup>24</sup> The forecast rate of growth of energy delivered proposed by AusNet has been reduced by increments of 20%. Starting with the proposed forecast energy delivered, we model 80%, 60%, 40% and 20% of the proposed forecast rate of growth in each year of the 2026–31 period.

**Figure 1.4 Sensitivity of energy delivered on annual residential bills (\$ nominal)**



Source: AER analysis.

**Figure 1.5 Sensitivity of energy delivered on annual small business (10,000 kWh) bills (\$ nominal)**



Source: AER analysis.

## 1.2 Regulatory asset base

The RAB is the value of the assets used by AusNet to provide SCS.<sup>25</sup> Our distribution determination specifies the RAB as at the commencement of the regulatory control period and the appropriate method for the indexation of the RAB.<sup>26</sup> The indexation of the RAB is one of the building blocks that form the ARR for each year of the 2026–31 period.<sup>27</sup> We set the RAB as the foundation for determining a distributor’s revenue requirements and use the opening RAB for each regulatory year to determine the return on capital and return of capital (regulatory depreciation) building blocks.<sup>28</sup>

This section presents our final decision on the opening RAB value as at 1 July 2026 for AusNet and our forecast of its RAB values over the 2026–31 period. It also presents our final decision for establishing the RAB as at the commencement of the 2031–36 period using depreciation that is based on forecast capex.<sup>29</sup>

### 1.2.1 Final decision

Our final decision is to determine an opening RAB value of \$6,272.7 million (\$ nominal) as at 1 July 2026 for AusNet. This amount is \$3.3 million (0.1%) lower than AusNet’s revised proposed opening RAB of \$6,276.0 million as at 1 July 2026.<sup>30</sup> This reduction is mainly due to our minor amendments to capex inputs to be consistent with the annual reporting regulatory information notices (RINs) and the annual information orders (AIOs). We also updated the roll forward model (RFM) to align with the latest cost pass through for the 2021–26 period. This final decision is \$143.7 million (2.3%) higher than our draft decision value for AusNet’s opening RAB of \$6,129.0 million (\$ nominal).<sup>31</sup>

#### 1.2.1.1 Opening RAB as at 1 July 2026

To determine the opening RAB value as at 1 July 2026, we have rolled forward the RAB over the 2021–26 period to arrive at a closing RAB value as at 30 June 2026 in accordance with our RFM.<sup>32</sup> This roll forward includes an adjustment at the end of the 2021–26 period to account for the difference between actual 2020 and half-year 2021 capex and the estimates approved in the 2021–26 determination.<sup>33</sup>

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<sup>25</sup> NER, cl. 6.5.1(a).

<sup>26</sup> NER, cll. 6.3.2(a)(1) and (2).

<sup>27</sup> NER, cll. 6.4.3(a)(1) and (b)(1).

<sup>28</sup> NER, cll. 6.4.3(a)(2) and (3).

<sup>29</sup> NER, cl. 6.12.1(r).

<sup>30</sup> AusNet, *ASD - AusNet Distribution - RFM Model*, December 2025.

<sup>31</sup> This increase is mainly driven by the updates to the capex for 2025–26 to reflect latest estimates, which has resulted in an increase to the opening RAB value by about \$109.8 million (1.8%) compared to the draft decision, all else being equal. AusNet also updated its estimates of 2024–25 capex to reflect actual values, which has resulted in an increase to the opening RAB value by about \$34.7 million (0.6%) compared to the draft decision, all else being equal.

<sup>32</sup> AER, *Electricity distribution network service providers: Roll forward model (version 3.1)*, May 2022.

<sup>33</sup> The end of period adjustment will be positive (negative) if actual capex is higher (lower) than the estimate approved at the 2021–26 determination.

Table 1.5 sets out our final decision on the roll forward of AusNet’s RAB over to the 2021–26 period.

**Table 1.5 AER’s final decision on AusNet’s RAB for the 2021–26 period (\$ million, nominal)**

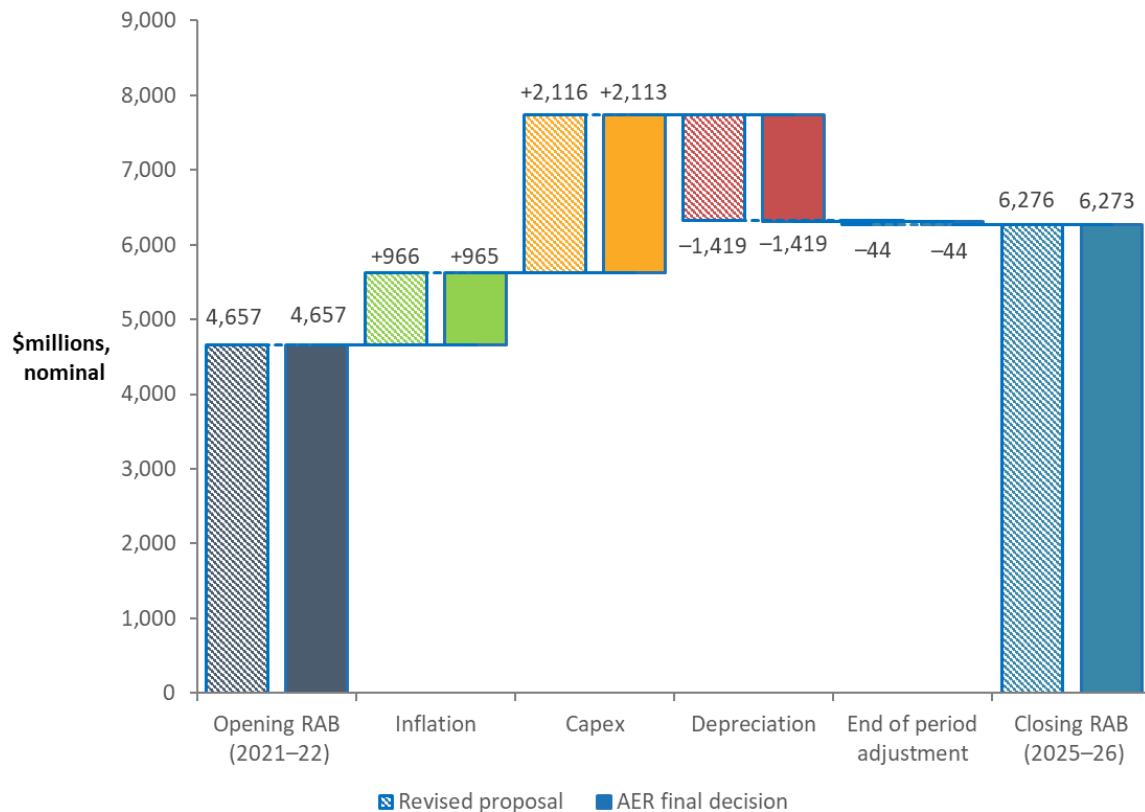
	2021–22	2022–23	2023–24	2024–25	2025–26 <sup>a</sup>
Opening RAB	4,657.4	4,766.2	5,005.5	5,505.6	5,920.6
Net capex <sup>b</sup>	344.0	333.6	387.5	490.0	557.5
Inflation on opening RAB	40.1	166.7	392.0	223.1	143.6
Less: straight-line depreciation <sup>c</sup>	275.4	261.0	279.4	298.1	304.8
Interim closing RAB	4,766.2	5,005.5	5,505.6	5,920.6	6,316.9
Difference between estimated and actual capex in 2020 and half-year 2021 <sup>d</sup>	-	-	-	-	-35.6
Return on difference for 2020 and half-year 2021 capex <sup>d</sup>	-	-	-	-	-13.3
Final year asset adjustment <sup>e</sup>	-	-	-	-	4.7
<b>Closing RAB as at 30 June 2026</b>	-	-	-	-	<b>6,272.7</b>

Source: AER analysis.

- (a) Based on estimated capex provided by AusNet. We will true-up the RAB for actual capex at the next distribution determination.
- (b) Net of disposals and capital contributions, and adjusted for actual CPI and half-year weighted average cost of capital (WACC).
- (c) Adjusted for actual CPI. Based on forecast capex.
- (d) Includes the calendar year 2020 and the half-year period from 1 January 2021 to 30 June 2021.
- (e) Includes adjustments for capitalised leases and opening asset value for critical spares as at 1 July 2026.

Figure 1.6 shows the key drivers of change in AusNet’s RAB value over the 2021–26 period for this final decision. Overall, the closing RAB value at the end of the 2021–26 period is estimated to be 34.7% higher than the opening RAB at the start of that period, in nominal terms. The new net capex increases the RAB by 45.4%, while inflation indexation increases it by 20.7%. Depreciation, on the other hand, reduces the RAB by 30.5%. End of period adjustments also reduce the RAB by 1.0%.

**Figure 1.6 Key drivers of changes in the RAB over the 2021–26 period – AusNet’s revised proposal compared with the AER’s final decision (\$ million, nominal)**



Source: AER analysis.

Note: Capex is net of disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the RFM.

In the draft decision, we reduced AusNet’s proposed opening RAB value as at 1 July 2026 by \$16.0 million (0.3%). This reduction was mainly driven by actual CPI for 2025–26 being lower than AusNet’s estimate in its proposed RFM. We also amended the following inputs in the RFM for determining the opening RAB value:<sup>34</sup>

- We updated the nominal vanilla WACC for 2025–26 and forecast straight-line depreciation amounts. These updates are required to reflect the 2025–26 return on debt update in the post-tax revenue model (PTRM) for the 2021–26 period, which became available after AusNet submitted its proposal.
- We updated the forecast depreciation to account for additional straight-line depreciation associated with cost pass throughs that were recovered through C-factor adjustments in the annual pricing process. The additional capex associated with the approved cost pass throughs (June 2021, February 2024 and September 2024) increased the amount of forecast straight-line depreciation in the 2021–26 period.

<sup>34</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 18–20.

- We amended capex inputs for:
  - minor adjustments to 2021–22 and 2023–24 to be consistent with the annual RINs
  - reallocating capex in 2023–24 to correct for an error in the allocation between the ‘Distribution system assets’ and ‘Land’ asset classes
  - changes in the accounting treatment for Software-as-a-Service (SaaS) expenditure in the 2021–26 period. For the purposes of RAB roll-forward, actual SaaS expenditure should be reported in the RFM as capex to be consistent with how the capex forecast was treated in the 2021–26 determination.
- We updated the capitalised lease costs being rolled into the RAB at the end of the 2021–26 period to reflect the updated WACC values. We accepted AusNet’s proposed approach to capitalised leases, which is broadly consistent with the approach in its 2021–26 distribution determination. We also accepted AusNet’s proposed remaining asset life of 3.3 years for depreciating existing leases as we considered that it appropriately reflected the weighted average remaining terms of AusNet’s existing leases as at 1 July 2026.

We also noted in the draft decision that the roll forward of AusNet’s RAB included estimated capex for 2024–25 and 2025–26, because the actual values for these inputs were not yet available at the time.<sup>35</sup>

In its revised proposal, AusNet adopted the changes made in our draft decision. In addition, AusNet updated the following inputs in its revised proposed RFM:<sup>36</sup>

- the estimated capex for 2024–25 with actuals
- the estimated capex for 2025–26 with revised estimates
- final year asset adjustments, including additional capex for capitalised lease costs and reallocating these costs to new and existing asset classes, as outlined below.

For this final decision, we adjusted some capex inputs for 2021–22 and 2023–24 to be consistent with the annual reporting RINs, and for 2024–25 to be consistent with the AIO.

We accept AusNet’s revised 2025–26 net capex estimate of \$557.5 million (\$ nominal) for this final decision.<sup>37</sup> This is \$109.8 million (24.5%) higher than the amount included in the draft decision RFM, reflecting more recent data. We note that the financial impact of any difference between actual and estimated capex for 2025–26 will be accounted for at the next distribution determination for the 2031–36 period.

We also accept AusNet’s revised proposed final year asset adjustments for the following:

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<sup>35</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, p. 19.

<sup>36</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, pp. 227–232.

<sup>37</sup> This amount is net of disposals and capital contributions, and includes a half-year WACC allowance to compensate for the six-month period before capex is added to the RAB.

- Reallocating \$57.3 million (\$ nominal) of capitalised motor vehicle lease costs to several asset classes:
  - a reallocation of \$3.1 million for motor vehicle running costs to the asset classes of ‘Subtransmission’ and ‘Distribution system assets’, which is consistent with the reallocation adjustments approved in our draft decision.<sup>38</sup>
  - a reallocation of the remaining \$54.2 million to new asset classes for ‘Motor vehicle and plant leases – short term’ and ‘Heavy vehicle and plant’.

These capitalised motor vehicle lease costs are associated with AusNet’s decision to change service providers at the end of the 2021–26 period. We are satisfied that these costs are based on the latest estimate of expenditure for 2025–26 and the asset class reallocations provide for a better grouping of the assets associated with this expenditure.

AusNet has proposed to exclude these capitalised leases as part of the Zinfra transition costs for calculating its CESS revenue increment from the 2021–26 period. For the reasons discussed in Attachment 6, our final decision is to not accept AusNet’s proposed CESS exclusion for the 2021–26 period.

- Reallocating \$8.6 million (\$ nominal) of capitalised property lease costs to the new asset class of ‘Non-network leasehold land & buildings – short term’. We are satisfied that these costs are based on the latest estimate of expenditure for 2025–26 and the reallocation to the new asset class provides for a better grouping of the assets associated with this expenditure.
- An update to the ‘Critical spares’ asset class. In the draft decision, we accepted this new asset class for establishing an opening RAB value of equipment spares. We are satisfied that the update reflects the latest estimate of the existing stock of inventory not yet added to the RAB.

In April 2026, we approved AusNet’s cost pass through for *Unlocking CER benefits by Flexible Trading Arrangements*.<sup>39</sup> This resulted in additional expenditures for the 2021–26 period. Consequently, we have updated several inputs to the RFM for this final decision to reflect our cost pass through decision, including the depreciation of this cost pass through’s additional capex.

### 1.2.1.2 Ex post review of 2020 to 2023–24 capex

We consider the extent to which our roll forward of the RAB to 1 July 2026 contributes to the achievement of the capex incentive objective.<sup>40</sup> The review period of past capex for this distribution determination is over 2020 to 2023–24.<sup>41</sup> As discussed in the draft decision, AusNet’s total actual capex incurred from 2020 to 2023–24 is below the forecast allowance

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<sup>38</sup> AER, *Standardised Capex Model - Draft Decision - AusNet Services Distribution determination 2026-31*, September 2025.

<sup>39</sup> AER, *Victorian DNSPs – Cost pass through applications – Flexible trading arrangements rule change*, April 2026.

<sup>40</sup> NER, cl. 6.12.2(b).

<sup>41</sup> NER, cl. S6.2.2.A(a1). This includes the half-year 2021, which was an extension of the 2016–20 regulatory control period under the National Electricity (Victoria) Act 2005, s. 16V. This half-year extension is treated as one regulatory year.

set at the previous relevant distribution determinations. Therefore, the overspending requirement for an efficiency review of past capex is not satisfied.<sup>42</sup>

For this final decision, we have included AusNet's actual capex for 2024–25 and estimated capex 2025–26 in the RAB roll forward to 1 July 2026. At the next distribution determination, the actual capex for 2024–25 and 2025–26 will form part of the review period for whether past capex should be excluded for inefficiency reasons.<sup>43</sup> Our RAB roll forward applies the incentive framework approved in the previous distribution determination, which included the use of a forecast depreciation approach in combination with the application of the CESS.<sup>44</sup> As such, we consider that the 2021–26 RAB roll forward contributes to an opening RAB (as at 1 July 2026) that includes capex that reflects prudent and efficient costs, in accordance with the capex criteria.<sup>45</sup>

### 1.2.1.3 Forecast closing RAB as at 30 June 2031

Once we have determined the opening RAB value as at 1 July 2026, we roll forward that value by adding forecast capex and inflation, and reducing it by depreciation to arrive at a forecast closing value for the RAB as at the end of the 2026–31 period.<sup>46</sup>

For this final decision, we determine a forecast closing RAB value at 30 June 2031 of \$8,210.2 million (\$ nominal) for AusNet. This is \$836.2 million (9.2%) lower than AusNet's revised proposal of \$9,046.4 million (\$ nominal). This is mainly due to a lower forecast capex applied in our final decision compared to AusNet's revised proposal (Attachment 2). Our final decision on the forecast closing RAB also reflects the amended opening RAB as at 1 July 2026, expected inflation rate (Overview section 2.2) and our final decision on forecast depreciation (section 1.3).<sup>47</sup>

Table 1.6 sets out our final decision on the forecast RAB for AusNet over the 2026–31 period.

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<sup>42</sup> NER, cl. S6.2.2A(c), AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, p. 21.

<sup>43</sup> Here, 'inefficiency' of past capex refers to three specific assessments (labelled the overspending, margin and capitalisation requirements) detailed in NER, cl. S6.2.2A. The details of our ex-post assessment approach for capex are set out in AER, *Capital expenditure incentive guideline for electricity network service providers*, August 2025, pp. 18–21.

<sup>44</sup> AER, *Final decision: AusNet Services distribution determination 2021–26 – Attachment 2 – Regulatory asset base*, April 2021, pp. 10–11.

<sup>45</sup> NER, cll. 6.4A(a), 6.5.7(a), 6.5.7(c) and 6.12.2(b).

<sup>46</sup> NER, cl. S6.2.3.

<sup>47</sup> Capex enters the RAB net of forecast disposals. It includes equity raising costs (where relevant) and the half-year WACC to account for the timing assumptions in the PTRM. Therefore, our final decision on the forecast RAB also reflects our amendments to the rate of return for the 2026–31 period (section 2.2 of the Overview to this final decision).

**Table 1.6 AER's final decision on AusNet's RAB for the 2026–31 period (\$ million, nominal)**

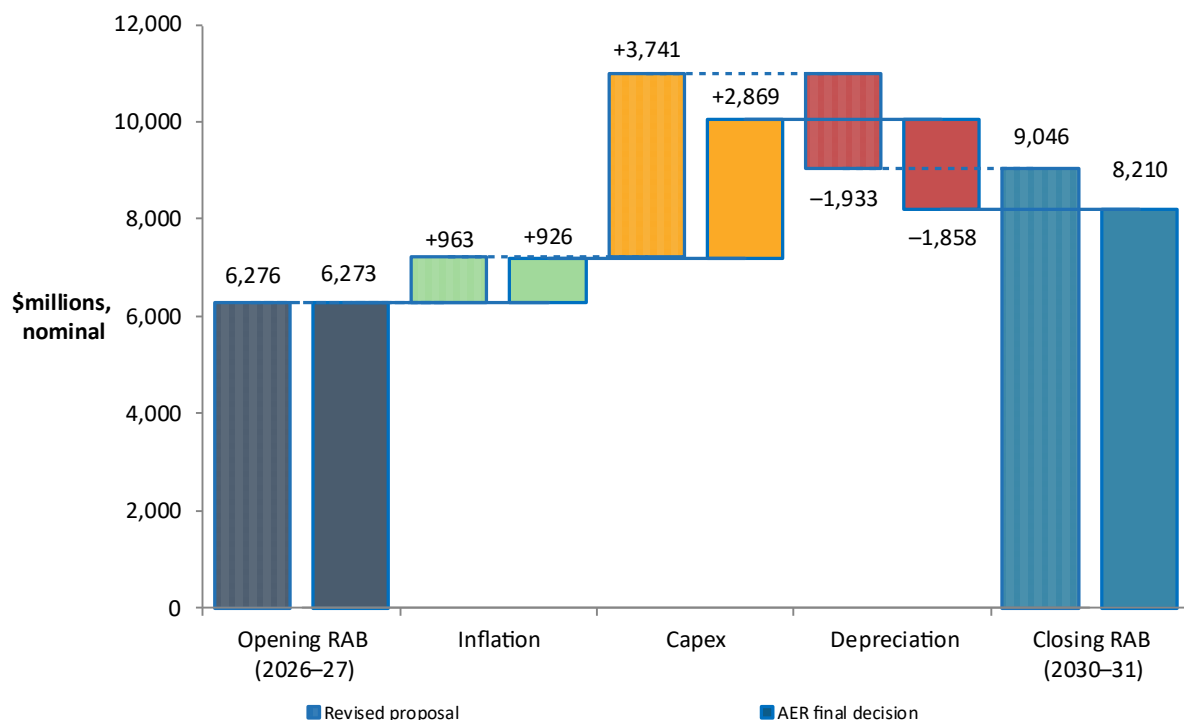
	2026–27	2027–28	2028–29	2029–30	2030–31
Opening RAB	6,272.7	6,665.5	7,098.9	7,488.8	7,832.7
Net capex <sup>a</sup>	570.2	618.0	585.9	540.2	554.5
Inflation on opening RAB	164.3	174.6	186.0	196.2	205.2
Less: straight-line depreciation	341.8	359.2	382.0	392.5	382.2
<b>Closing RAB</b>	<b>6,665.5</b>	<b>7,098.9</b>	<b>7,488.8</b>	<b>7,832.7</b>	<b>8,210.2</b>

Source: AER analysis.

(a) Net of forecast disposals and capital contributions. In accordance with the timing assumptions of the PTRM, the capex includes a half-year WACC allowance to compensate for the six-month period before capex is added to the RAB for revenue modelling.

Figure 1.7 shows the key drivers of change in AusNet's RAB value over the 2026–31 period for this final decision. Overall, the closing RAB value at the end of the 2026–31 period is estimated to be 30.5% higher than the opening RAB at the start of that period, in nominal terms. The approved forecast net capex increases the RAB value by 45.4%, while expected inflation increases it by 14.8%. Depreciation, on the other hand, reduces the RAB value by 29.6%.

**Figure 1.7 Key drivers of changes in the RAB over the 2026–31 period – AusNet's revised proposal compared with the AER's final decision (\$ million, nominal)**



Source: AER analysis.

Note: Capex is net of forecast disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the PTRM.

Forecast net capex is a significant driver of the increase in the RAB. In our final decision, we approve \$2,610.9 million<sup>48</sup> (\$2025–26) forecast net capex for AusNet over the period. This amount is 23.4% lower than AusNet’s revised proposal of \$3,408.1 million. We are satisfied that this reduced amount reasonably reflects the capex criteria. Refer to Attachment 2 for the discussion on forecast capex.

#### **1.2.1.4 Application of depreciation approach in the RAB roll forward for the next distribution determination**

For this final decision, we determine that the depreciation approach to be applied to establish AusNet’s opening RAB at the commencement of the 2031–36 period will be based on the depreciation schedules (straight-line) using forecast capex at the asset class level approved for the 2026–31 period.<sup>49</sup> This approach is consistent with our draft decision.<sup>50</sup> Further, this approach is consistent with our *Framework and approach*.<sup>51</sup> AusNet’s revised proposal did not raise any issues with this approach.

As discussed in section 3.1 of the Overview to this final decision, we will also apply the CESS to AusNet for the 2026–31 period. We consider that the CESS will provide sufficient incentives for AusNet to achieve capex efficiency gains over the period. We are satisfied that the use of a forecast depreciation approach in combination with the application of the CESS and our other ex post capex measures are sufficient to achieve the capex incentive objective.<sup>52</sup>

### **1.2.2 Assessment approach**

We did not change our assessment approach for the RAB from our draft decision. Attachment 1 (appendix A.2) of our draft decision details that approach.<sup>53</sup>

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<sup>48</sup> This amount is net of forecast disposals and capital contributions, and excludes the half-year WACC adjustment.

<sup>49</sup> NER, cl. 6.12.1(r).

<sup>50</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 23–24.

<sup>51</sup> AER, *Framework and approach – AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31*, July 2024, p. 22.

<sup>52</sup> Our ex-post capex measures are set out in the capital expenditure incentive guideline; AER, *Capital expenditure incentive guideline for electricity network service providers*, August 2025, pp. 17–22.

<sup>53</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 44–47.

## 1.3 Regulatory depreciation

Regulatory depreciation is the amount provided so capital investors recover their investment over the economic life of the asset (return of capital). In deciding whether to approve the depreciation schedules submitted by AusNet, we make determinations on the indexation of the RAB and depreciation building blocks for AusNet's 2026–31 period.<sup>54</sup> The regulatory depreciation amount is the net total of the straight-line depreciation less the indexation of the RAB.

This section sets out our final decision on AusNet's regulatory depreciation amount, including the standard asset lives used for calculating straight-line depreciation.

### 1.3.1 Final decision

Our final decision is to determine a regulatory depreciation amount of \$931.2 million (\$ nominal) for AusNet for the 2026–31 period. This amount represents a reduction of \$39.6 million (4.1%) to the \$970.8 million (\$ nominal) in AusNet's revised proposal.<sup>55</sup> It is \$54.6 million (6.2%) higher than the regulatory depreciation amount determined in our draft decision. This increase compared to our draft decision is primarily driven by a higher straight-line depreciation amount.<sup>56</sup> A higher RAB indexation amount partially offsets this increase.<sup>57</sup>

The regulatory depreciation amount is the net total of the straight-line depreciation, less the inflation indexation of the RAB. The straight-line depreciation is impacted by our decision on AusNet's opening RAB as at 1 July 2026 (section 1.2), forecast capex (Attachment 2) and asset lives (section 1.3.1.1). Our final decision straight-line depreciation for AusNet is \$75.9 million lower than its revised proposal.<sup>58</sup>

The indexation on the RAB is impacted by our decision on AusNet's opening RAB (section 1.2), forecast capex (Attachment 2) and the expected inflation rate (Overview section 2.2). Our final decision indexation on AusNet's forecast RAB is \$36.3 million lower than its revised proposal. This is largely due to our reduction to AusNet's forecast capex compared to its revised proposal. The lower indexation partially offsets the reduction in straight-line depreciation (since indexation is deducted from the straight-line depreciation).

In coming to this final decision on AusNet's straight-line depreciation, we accept the revised proposal with respect to the following matters, each of which is consistent with our draft decision:

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<sup>54</sup> Clause 6.12.1 of the National Electricity Rules (NER) sets out the 'constituent decisions' we must make as part of a distribution determination. We must decide whether or not to approve the depreciation schedules submitted by a Distribution Network Service Provider (cl. 6.12.1(h)). This is one of the building blocks we must use to determine the annual revenue requirement: cl. 6.4.3 of the NER.

<sup>55</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, p. 229; and AusNet, *ASD – AusNet Distribution – PTRM Model*, December 2025.

<sup>56</sup> This reflects a higher opening RAB value as at 1 July 2026 and higher forecast capex over the 2026–31 period in our final decision, compared to our draft decision. The increase in the opening RAB value is mainly driven by higher 2025–26 capex to reflect AusNet's revised estimate and higher 2024–25 capex to reflect actual values, compared to the estimates adopted in our draft decision.

<sup>57</sup> This is due to a higher expected inflation for the 2026–31 period compared to the draft decision.

<sup>58</sup> This is due to our final decision on a lower opening RAB value as at 1 July 2026 and lower forecast capex compared to AusNet's revised proposal.

- the straight-line depreciation method used to calculate the regulatory depreciation amount as set out in our PTRM
- the continuation of applying the ‘year-by-year tracking’ approach for implementing straight-line depreciation of AusNet’s existing assets and its forecast capex
- asset classes and standard asset lives. This includes our acceptance of AusNet’s proposed 5 new asset classes<sup>59</sup> and standard asset lives, and our introduction of 2 new asset classes<sup>60</sup> and standard asset lives (section 1.3.1.1).

We also accept AusNet’s revised proposal to introduce a new ‘Motor vehicles and plant leases – short term’ asset class with a standard asset life of 5 years, and its update to slightly increase the standard asset life of the ‘Non-network leasehold land & buildings – short term’ asset class to better represent of the economic life of this asset class.

Table 1.7 sets out our final decision on the annual regulatory depreciation amount for AusNet’s 2026–31 period.

**Table 1.7 AER’s final decision on AusNet’s forecast depreciation for the 2026–31 period (\$ million, nominal)**

	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Straight-line depreciation	341.8	359.2	382.0	392.5	382.2	1,857.5
Less: inflation indexation on opening RAB	164.3	174.6	186.0	196.2	205.2	926.4
<b>Regulatory depreciation</b>	<b>177.4</b>	<b>184.6</b>	<b>196.0</b>	<b>196.3</b>	<b>176.9</b>	<b>931.2</b>

Source: AER analysis.

### 1.3.1.1 Standard asset lives

For this final decision, we accept AusNet’s revised proposed standard asset lives for its existing asset classes used to depreciate the forecast capex to be incurred in the 2026–31 period. This is because they are consistent with those approved for the 2021–26 period and are largely comparable with the standard asset lives used by other network businesses for similar asset classes.

In the draft decision, we accepted AusNet’s proposed existing asset classes and their standard asset lives.<sup>61</sup> We also accepted AusNet’s proposed 5 new asset classes and their standard asset lives. We assigned a standard asset life of ‘n/a’ (not applicable) to the ‘Equity raising costs’ asset class on the basis that forecast capex determined for AusNet did not meet a level to trigger any benchmark equity raising costs. We introduced new asset classes

<sup>59</sup> Comprising of ‘Non-network solutions’, ‘Heavy vehicles and plant’, ‘Critical spares – network assets’, ‘Non-network leasehold land & buildings – short term’ and ‘Non-network leasehold land & buildings – long term’.

<sup>60</sup> Comprising of ‘Concrete poles’ and ‘Non-network IT assets – long life’.

<sup>61</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 28–32.

of ‘Concrete poles’ and ‘Non-network IT assets – long life’, and assigned a standard asset life of 80 years and 10 years respectively, following our review of AusNet’s proposed capex.

AusNet’s revised proposal adopted our draft decision on the standard asset lives for all asset classes.<sup>62</sup> In our review of AusNet’s revised proposal PTRM, we identified that the standard asset life input of 15 years for the ‘Non-network IT assets – long life’ asset class was different from the draft decision PTRM. AusNet stated that this was an unintended error and agreed that the standard asset life should be amended to 10 years in its response to our information request.<sup>63</sup> We have therefore made this amendment in our final decision PTRM.

AusNet also proposed a new asset class of ‘Motor vehicle and plant leases – short term’ to better reflect its capitalised motor vehicle leases as part of the transitioning to a new lease service provider. We consider the proposed asset class and its asset life are reasonable. We accept AusNet’s proposed approach of assigning a standard asset life of 5 years to this asset class because the leases are short-term and include both light and heavy vehicles that will be renewed on a 5-year lease term in the 2026–31 period. We are therefore satisfied that a standard asset life of 5 years reasonably reflects the expected economic life of the group of assets associated with capitalised short-term motor vehicle and plant leases.

AusNet’s revised proposal also amended the standard life of the asset class ‘Non-network leasehold land & buildings’ from 5 years as approved in our draft decision to 5.5 years, based on its updated calculation of the weighted average of these short-term property leases. We consider the updated standard asset life for this asset class is appropriate.

We note AusNet’s revised proposal agreed with our draft decision to introduce a new ‘Concrete poles’ asset class in the PTRM. However, we issued an information request seeking clarification from AusNet on the treatment of glass reinforced concrete (GRC) poles. In its response, AusNet stated that it did not forecast any capex for GRC poles in the 2026–31 period due to their relatively young age.<sup>64</sup> We accept this is a reasonable approach. However, AusNet further stated that should any GRC pole replacements occur in the 2026–31, AusNet would allocate the associated costs to the ‘Distribution system asset’ asset class because it did not consider there is evidence to support a standard asset life of 80 years for this asset type. We do not accept this approach. As set out in our draft decision, we noted that the performance of GRC poles is well understood and its design life expectancy is 70–100 years.<sup>65</sup> For this final decision, we remain of the view that GRC poles are likely to have similar life expectancy to concrete poles. We therefore require that any capex for GRC poles incurred in the 2026–31 period be allocated to the new asset class of ‘Concrete poles’ with a standard asset life of 80 years.

Our final decision PTRM sets out AusNet’s standard asset lives for each of its asset classes over the 2026–31 period.<sup>66</sup> We note the asset classes we have assigned with a standard

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<sup>62</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, pp. 235–237.

<sup>63</sup> AusNet, *EDPR 2026–31 – Response to information request #080*, February 2026, p. 3.

<sup>64</sup> AusNet, *EDPR 2026–31 – Response to information request #057*, January 2026, p. 2.

<sup>65</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 29–31.

<sup>66</sup> AER, *PTRM - Final decision - AusNet distribution determination 2026-31*, April 2026.

asset life of 'n/a' is because the capex allocated to them is either not subject to depreciation, or they have zero forecast capex allocated to them. We are satisfied that our final decision on depreciation conforms to the following:<sup>67</sup>

- the standard asset lives and depreciation approach more broadly would lead to a depreciation schedule that reflects the nature of the assets over the economic lives of the asset classes,
- the sum of the real value of the depreciation attributable to the assets is equivalent to the value at which the assets were first included in the RAB for AusNet, and
- the asset lives, and the depreciation methods and rates underpinning the calculation of depreciation for a regulatory control period are consistent with those determined for the same assets on a prospective basis.

### 1.3.2 Assessment approach

We did not change our assessment approach for regulatory depreciation from our draft decision. Attachment 1 (appendix A.3) of our draft decision details that approach.<sup>68</sup>

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<sup>67</sup> NER, cll. 6.5.5(b)(1)–(3).

<sup>68</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 47–52.

## 1.4 Corporate income tax

Our determination of the ARR includes the estimated cost of corporate income tax for AusNet’s 2026–31 period.<sup>69</sup> Under the post-tax framework, the cost of corporate income tax is calculated as part of the building block assessment using our PTRM. This amount allows AusNet to recover the costs associated with the estimated corporate income tax payable during the 2026–31 period.

This section presents our final decision on AusNet’s revised proposed corporate income tax amount for the 2026–31 period. It also presents our assessment of its revised proposed inputs required in the PTRM for estimating the cost of corporate income tax.

### 1.4.1 Final decision

Our final decision on AusNet’s estimated cost of corporate income tax is zero over the 2026–31 period, consistent with our draft decision and AusNet’s revised proposal. This is because we expect AusNet to incur a forecast tax loss in each year of the 2026–31 period.<sup>70</sup> We have determined that \$479.3 million in tax losses as at 30 June 2031 will be carried forward to the 2031–36 period where it can be used to offset future tax liabilities. The forecast tax loss arises mainly because AusNet’s:

- accumulated tax losses as at 30 June 2026
- tax expenses are expected to be higher than taxable revenues in the final 4 years of the 2026–31 period largely due to its forecast immediately expensed capex.

For this final decision, we determine an opening tax asset base (TAB) value as at 1 July 2026 of \$4,017.3 million (\$ nominal), which is an increase of \$0.4 million from AusNet’s revised proposal of \$4,016.8 million due to some minor capex input updates (section 1.4.1.1).

We also determine that \$1,142.9 million (\$2025–26) of AusNet’s forecast capex is to be immediately expensed for tax purposes in the 2026–31 period based on our final decision on its total forecast capex (section 1.4.1.2).

We accept:

- AusNet’s revised proposal on the standard tax asset lives for its existing asset classes and some new asset classes for the 2026–31 period because they are consistent with our draft decision (section 1.4.1.3).
- AusNet’s revised proposal to include a new ‘Motor vehicles and plant leases – short term’ asset class with a standard tax asset life of 5 years, and its update to slightly increase the standard tax asset life of the ‘Non-network leasehold land & buildings – short term’ asset class (section 1.4.1.3).

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<sup>69</sup> NER, cl. 6.4.3(a)(4).

<sup>70</sup> A forecast tax loss occurs when the forecast taxable income is lower than the forecast tax expense. In this event no tax is payable. Any residual amount of tax loss will be carried forward over to future regulatory control periods to offset future taxable income until the tax loss is fully exhausted.

- AusNet’s revised proposal changing the tax treatment of forecast capital contributions from large customer connections by directly charging for the tax cost associated with those connections, subject to applying to large customers connecting at 22 kV and above (section 1.4.1.4).

In the draft decision, we made the following changes to AusNet’s modelling of its cost of corporate income tax:<sup>71</sup>

- We amended the opening TAB as at 1 July 2026 by including the capital contributions for gifted assets in the half-year 2021 and updating inputs in the RFM and depreciation tracking module to be consistent with those made to the RAB roll forward.
- We introduced 2 new asset classes for:
  - ‘Concrete poles’ asset class and assigned a standard tax asset life of 45 years, which was consistent with the Australian Taxation Office (ATO) Taxation Ruling 2022/1.
  - ‘Non-network IT assets – long life’ asset class and assigned a standard tax asset life of 5 years, consistent with section 40-95(7) of the *Income Tax Assessment Act 1997* (ITAA). We considered that given the capex allocated to this asset class generally reflects the nature of an intangible depreciating asset, we would exempt the capex from the diminishing value tax depreciation method.
- We reduced the proposed forecast immediately expensed capex for the 2026–31 period to reflect our draft decision on the total forecast capex.

AusNet’s revised proposal adopted the changes required by the draft decision. In addition, it updated the opening TAB value, forecast immediately expensed capex amount for the 2026–31 period, and the standard tax asset life of the ‘Non-network leasehold land & buildings’ asset class. AusNet also proposed a new ‘Motor vehicles and plant leases – short term’ asset class with a standard tax asset life of 5 years. AusNet’s revised proposal made changes to the tax treatment of forecast capital contributions from large (sub-transmission, 66 kV and above) customer connections through its revised connection policy.<sup>72</sup> This means that the net tax liability associated with capital contributions from these connections would be added to the contributing amount paid by the connecting customer for the 2026–31 period.

#### 1.4.1.1 Opening tax asset base at 1 July 2026

Our final decision is to determine an opening TAB value as at 1 July 2026 of \$4,017.3 million (\$ nominal) for AusNet, which is an increase of \$0.4 million from AusNet’s revised proposal of \$4,016.8 million.<sup>73</sup>

In our draft decision, we accepted AusNet’s proposed method to establish the opening TAB value as at 1 July 2026. However, we amended some of the proposed inputs used for the TAB roll forward—specifically, the inclusion of the amount for gifted assets for the half-year 2021 capex inputs and amendments to the capex inputs for 2021–26 in the RFM. We noted

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<sup>71</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 33–34.

<sup>72</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, pp. 151–153 and AusNet, *ASD – AusNet Distribution – PTRM Model*, December 2025.

<sup>73</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, p. 244.

that the opening TAB value may be updated as part of the final decision to reflect actual capex for 2024–25 and any revised capex estimate for 2025–26.<sup>74</sup>

AusNet's revised proposal adopted our draft decision changes. In addition, it updated the opening TAB as at 1 July 2026 to reflect the actual capex (including capital contributions), asset disposals and immediately expensed capex for 2024–25 and a revised estimated capex (including capital contributions), asset disposals and immediately expensed capex for 2025–26, and final year asset adjustments for capitalised lease costs and reallocating these costs to new and existing asset classes.<sup>75</sup>

We accept the following revised proposed inputs for TAB roll forward purposes for this final decision:

- Consistent with the reasons discussed in section 1.2.1.1, the updated capex (including capital contributions), asset disposals and immediately expensed capex inputs for 2024–25 as they reflect the AIO for that year.
- The revised estimated capex (including capital contributions), asset disposals and immediately expensed capex for 2025–26, which reflects more up-to-date data.
- Reallocating \$55.9 million (\$ nominal) of capitalised motor vehicle lease costs to several asset classes:
  - a reallocation of \$3.0 million for motor vehicle running costs to the asset classes of 'Subtransmission' and 'Distribution system assets', which is consistent with the reallocation adjustments approved in our draft decision.<sup>76</sup>
  - a reallocation of the remaining \$52.9 million to new asset classes for 'Motor vehicle and plant leases – short term' and 'Heavy vehicle and plant'.

As outlined in section 1.2.1.1, these capitalised motor vehicle lease costs are associated with AusNet's decision to change service providers at the end of the 2021–26 period. We are satisfied that these costs are based on the latest estimate of expenditure for 2025–26 and the asset class reallocations provide for a better grouping of the assets associated with this expenditure.

- Reallocating \$8.3 million (\$ nominal) of capitalised property lease costs to the new asset class of 'Non-network leasehold land & buildings – short term'. We are satisfied that these costs are based on the latest estimate of expenditure for 2025–26 and the reallocation to the new asset class provides for a better grouping of the assets associated with this expenditure.
- An update to the 'Critical spares' asset class. In the draft decision, we accepted this new asset class for establishing an opening TAB value of equipment spares. Consistent with

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<sup>74</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, p. 36.

<sup>75</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, p. 244.

<sup>76</sup> AER, *Standardised Capex Model - Draft Decision - AusNet Services Distribution determination 2026-31*, September 2025.

section 1.2.1.1, we are satisfied that the update reflects the latest estimate of the existing stock of inventory not yet added to the TAB.

We have also made minor updates to gross capex in 2021–22 and 2023–24 to be consistent with the RINs, and in 2024–25 to be consistent with the AIO.

AusNet’s revised proposal adopted our draft decision to include gifted assets of \$24.1 million (\$ nominal) for the half-year 2021 capex inputs in the RFM. However, it requested that we reconsider the inclusion of these gifted assets in the opening TAB because this would overstate the TAB.<sup>77</sup> We have considered AusNet’s revised proposal, and we are not persuaded to exclude the half-year 2021 gifted assets from the TAB roll forward for this final decision.

Consistent with our draft decision, we are satisfied that there is no overstatement of the opening TAB as we are treating gifted assets in the same manner as the tax treatment applied at the time of the determination for the regulatory control period. The half-year 2021 extension period determination was based on carrying forward the approach set out in the PTRM for the 2016–20 period. For the 2016–20 determination, gifted assets were considered as assessable income for tax purposes and our position is that any actual gifted assets reported in the half-year 2021 extension period is to be included in the TAB roll forward to be consistent with how the forecast was determined. We have applied the same approach in our determinations for the other 4 Victorian distributors, and they have agreed with this approach.<sup>78</sup>

We will update the estimated capex, asset disposals and immediately expensed capex for 2025–26 with actual values at the next distribution determination for the 2031–36 period.

Table 1.8 sets out our final decision on the roll forward of AusNet’s TAB over the 2021–26 period.

**Table 1.8 AER’s final decision on AusNet’s TAB roll forward for the 2021–26 period (\$ million, nominal)**

	2021–22	2022–23	2023–24	2024–25	2025–26 <sup>a</sup>
Opening TAB	3,644.4	3,693.5	3,727.9	3,736.5	3,811.4
Capital expenditure <sup>b</sup>	362.2	348.3	393.0	517.9	591.7
Less: tax depreciation	313.1	313.9	384.3	443.1	390.9
Final year asset adjustment <sup>c</sup>					5.1
<b>Closing TAB</b>	<b>3,693.5</b>	<b>3,727.9</b>	<b>3,736.5</b>	<b>3,811.4</b>	<b>4,017.3</b>

Source: AER analysis.

(a) Based on estimated capex. We expect to update the TAB roll forward with actual capex at the next distribution determination.

<sup>77</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, p. 244.

<sup>78</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, p. 37.

- (b) Net of disposals.
- (c) Includes adjustments for capitalised leases and opening asset value for critical spares as at 1 July 2026.

#### 1.4.1.2 Forecast immediately expensed capex

For this final decision, we determine that \$1,142.9 (\$2025–26) of its forecast capex are to be immediately expensed for tax purposes in the 2026–31 period. This is \$232.6 million (16.9%) lower than AusNet’s revised proposal of \$1,375.5 million.

In the draft decision, we accepted AusNet’s proposed actuals informed approach for determining the forecast of immediately expensed capex for the 2026–31 period. AusNet’s proposed forecast immediately expensed capex was broadly consistent with the average proportion of capex being immediately expensed over the period 2021–22 to 2023–24 as reported in the annual reporting RINs. However, due to our reduction in the proposed forecast capex, we substituted a lower forecast immediately expensed capex for the draft decision.<sup>79</sup>

In its revised proposal, AusNet updated the forecast immediately expensed capex to \$1,375.5 million (\$2025–26). This is higher than the \$697.5 million approved in our draft decision. This updated amount reflects its higher revised proposal forecast capex for the 2026–31 period compared to our draft decision.<sup>80</sup>

Consistent with the approach adopted in the draft decision, we need to adjust the amount of immediately expensed capex to reflect our final decision on the overall estimate of forecast capex. As discussed in Attachment 2, our final decision is to determine a total gross forecast capex of \$2,849.7 million (\$2025–26). This amount is \$1,014.8 million lower than AusNet’s revised proposed capex forecast. For this reason, we have calculated a lower immediately expensed capex amount for AusNet to reflect the forecast capex for this final decision.

We have also updated the forecast immediately expensed capex in 2025–26 to reflect our decision on the latest cost pass through.

We will continue to collect actual data relating to this expenditure in our annual reporting information orders to inform our decision on the amount of forecast immediately expensed capex in the next determination for AusNet.

#### 1.4.1.3 Standard tax asset lives

Our final decision accepts AusNet’s revised proposed standard tax asset lives assigned to its:

- existing asset classes because they are broadly consistent with the tax asset lives prescribed by the Commissioner of Taxation in ATO Legislative Instrument 2025/20 and the same as the approved standard tax asset lives for the 2021–26 period<sup>81</sup>

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<sup>79</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 37–38.

<sup>80</sup> AusNet, *EDPR Revised Proposal 2026-31*, December 2025, p. 246.

<sup>81</sup> ATO, *Legislative Instrument LI 2025/20 – Schedule 2–Effective Life Tables A and B*, October 2025.

- new asset classes comprising ‘Non-network solutions’, ‘Heavy vehicles and plant’, ‘Critical spares – network assets’, 2 asset classes for capitalised leases associated with land and buildings (short term and long term), ‘Concrete poles’ and ‘Non-network IT assets – long life’ because they are consistent with our draft decision. In turn, the standard tax asset lives reflect the ATO Legislative Instrument 2025/20 and the guidance from the ITAA.<sup>82</sup>

Consistent with AusNet’s revised proposal and our draft decision, we do not assign a standard tax asset life for the ‘Critical spares – network assets’ new asset class as it reflects non-depreciating assets.

We also accept the revised proposed new asset class for ‘Motor vehicle and plant leases – short term’ for the reasons discussed in section 1.3.1.1. We agree with AusNet assigning a standard tax asset life of 5 years for this asset class as it reflects the expected economic life of the assets and is therefore consistent with the ATO’s guidance on determining the effective life of an asset.<sup>83</sup>

Our final decision PTRM sets out AusNet’s standard tax asset lives for each of its asset classes over the 2026–31 period.<sup>84</sup> We note the asset classes we have assigned with a standard tax asset life of ‘n/a’ is because the capex allocated to them is either not subject to depreciation, or they have zero forecast capex allocated to them. We are satisfied that the standard tax asset lives are appropriate for application over the 2026–31 period. We are also satisfied that the standard tax asset lives provide an estimate of the tax depreciation amount that would be consistent with the tax expenses used to estimate the annual taxable income for a benchmark efficient service provider.<sup>85</sup>

#### **1.4.1.4 Tax treatment of forecast capital contributions from large customer connections**

Our final decision is to accept AusNet’s revised proposal to change the tax treatment for type 1 capital contributions (cash) from large customer connections for the 2026–31 period. For regulatory tax purposes and consistent with tax law, type 1 capital contributions paid by customers (including large load connections) to the distributor, are recognised as income. This results in a tax liability for the distributor.

As discussed in Attachment 16, AusNet amended its proposed connection policy in the revised proposal to remove what is an effective cross subsidy of tax costs associated with capital contributions from sub transmission load customers (comprising of connecting data centres and other large load customers). We consider the change in tax treatment would apply to load customers connecting at 22 kV and above. This change would mean that the net tax liability from these connections would be added to the capital contribution amount paid by the connecting customer for the 2026–31 period. The net tax liability would, therefore, be borne by the connecting customer. Previously, the net tax liability was

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<sup>82</sup> ATO, *Legislative Instrument LI 2025/20 – Schedule 2–Effective Life Tables A and B*, October 2025; ITAA, s. 40.95(7).

<sup>83</sup> ATO, *Legislative Instrument LI 2025/20 – Schedule 2–Effective Life Tables A and B*, October 2025; ITAA, section 40.105.

<sup>84</sup> AER, *PTRM - Final decision - AusNet distribution determination 2026-31*, April 2026.

<sup>85</sup> NER, cl. 6.5.3.

recovered from the broader SCS customer base. All else being equal, this change would reduce the forecast capital contributions and gross capex in the PTRM for the 2026–31 period and therefore reduce the cost of corporate income tax for SCS customers.<sup>86</sup>

AusNet also proposed to change its connection policy to recover net tax costs from gifted assets (type 2 contributions) for all large customer connections greater than 1.5MW. AusNet submitted that connection assets gifted by these large customers constitute assessable income for tax purposes and that unless this cost can be recovered directly from the connecting customer, it would not be recovered.<sup>87</sup> For the reasons discussed in Attachment 16, we do not accept this proposal. AusNet has not provided adequate justification to enable an assessment of this proposal. With the limited information provided, we are not satisfied that it could be included in the policy.

### 1.4.2 Assessment approach

We did not change our assessment approach for the cost of corporate income tax from our draft decision. Attachment 1 (appendix A.4) of our draft decision details that approach.<sup>88</sup>

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<sup>86</sup> In the event of zero cost of corporate income tax, this change would, all else being equal, increase the size of the forecast tax loss over the 2026–31 period, allowing for a reduced cost of corporate income tax in a future distribution determination.

<sup>87</sup> Following the 2020 Full Federal Court decision on Victorian Power Network (VPN), the arm's-length value of the gifted assets equals the value of the rebate to the customer, and the net effect on the assessable income associated with this type of capital contribution is zero. Accordingly, these tax costs are zero and not recovered by the distributors through the regulatory framework.

<sup>88</sup> AER, *Draft decision: AusNet electricity distribution determination 1 July 2026 to 30 June 2031 – Attachment 1 – Building block approach: Annual revenue requirement, Regulatory asset base, Regulatory depreciation and Corporate income tax*, September 2025, pp. 52–57.

## Shortened forms

Term	Definition
AER	Australian Energy Regulator
AIO	annual information order
ARR	annual revenue requirement
ATO	Australian Tax Office
capex	capital expenditure
CCP32	Consumer Challenge Panel, sub-panel 32
CESS	capital expenditure sharing scheme
CPI	consumer price index
DMIAM	demand management innovation allowance mechanism
EBSS	efficiency benefit sharing scheme
ESCV	Essential Services Commission of Victoria
GRC	glass reinforced concrete
ITAA	Income Tax Assessment Act 1997
n/a	not applicable
NER	National Electricity Rules
NPV	net present value
opex	operating expenditure
PTRM	post-tax revenue model
RAB	regulatory asset base
RIN	regulatory information notice
RFM	roll forward model
SaaS	Software-as-a-Service
SCS	standard control services
TAB	tax asset base
WACC	weighted average of the cost of capital (rate of return)