Draft Decision

AusNet Services electricity transmission determination 2027 to 2032

(1 April 2027 to 31 March 2032)

Attachment 5
Efficiency benefit sharing scheme

June 2026

AUSTRALIAN ENERGY REGULATOR

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5 Efficiency benefit sharing scheme

The efficiency benefit sharing scheme (EBSS) is intended to provide a continuous incentive for service providers to pursue efficiency improvements in operating expenditure (opex) and provide for a fair sharing of these between service providers and consumers.[1] Consumers benefit from improved efficiencies through lower regulated prices.

This attachment sets out our draft decision on the EBSS carryover amounts AusNet Services (AusNet) accrued over the 2022–27 regulatory control period, and how we will apply the EBSS over the 2027–32 regulatory control period.

5.1 Draft decision

Our draft decision is to include EBSS carryover amounts totalling –$78.5 million[2] from the application of the EBSS in the 2022–27 regulatory control period.[3] This represents a $13.9 million smaller EBSS carryover than AusNet's proposed carryover amount of –$92.4 million.[4] This difference reflects the following adjustments we have made in our draft decision:

- updated actual inflation for 2025–26 and forecast inflation for 2026–27
- removed non–recurrent SaaS costs from actual reported opex.[5]

These updates are further discussed in section 5.4.1.

In our final decision, we will also update our EBSS carryover calculations to reflect actual opex for 2025–26 and update for the most recent inflation data. Our draft decision is based on the estimate of base year opex included in AusNet's proposal because actual data for 2025–26 was not available at the time the proposal was submitted.

We will also update for Software as a Service (SaaS) costs that reconcile to the AusNet's updated regulatory accounts and Annual Information Orders which are pending at the time of our draft decision.

We set out our draft decision on the EBSS carryover amounts AusNet accrued during the 2022–27 regulatory control period in Table 5.1, along with AusNet's proposal and the difference.

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1 AER, *AER explanatory statement – efficiency benefit sharing scheme*, November 2013, p. 5.

2 All dollars in this document are in $2026–27 terms unless otherwise stated.

3 NER, cl. 6A.5.4(a)(5).

4 AusNet Services, *TRR 2027-32 RIN Workbook 3 – EBSS*, October 2025.

5 The SaaS numbers have been included as a placeholder pending AusNet submitting its updated regulatory accounts and Annual Information Order.

Table 5.1 Draft decision on carryover amounts ($million, 2026–27)

	2027–28	2028–29	2029–30	2030–31	2031–32	Total
AusNet's proposal	–0.9	–37.5	–33.0	–21.0	–	–92.4
AER draft decision	3.3	–33.9	–30.1	–17.8	–	–78.5
Difference	**4.1**	**3.5**	**3.0**	**3.3**	–	**13.9**

Source: AER, AE*R decision – AusNet Tx PTRM – 2025–26 RoD update – February 2024 storms cost pass through, November 2024*; AER analysis.
Note: Numbers may not add up to total due to rounding. Values of '0.0' and '–0.0' represent small nonzero amounts and '–' represents zero.

Our draft decision is also to continue to apply version 2 of the EBSS to AusNet in the 2027–32 regulatory control period.[6]

Consistent with AusNet's proposal, we will exclude the following cost categories from the scheme:

- debt raising costs
- easement land tax
- incentive scheme / allowance categories where inclusion would distort incentives.

We will also make other adjustments as permitted by the EBSS, such as removing movement in provisions related to opex, adding approved opex for pass throughs to forecast opex, adjusting forecast and actual opex for inflation, and making any necessary service classification adjustments.

We discuss the reasons for our decision on applying the EBSS in the 2027–32 regulatory control period in section 5.4.2.

5.2 AusNet's proposal

5.2.1 Carryover amounts from the 2022–27 regulatory control period

AusNet proposed we include EBSS carryover amounts totalling –$92.4 million in its revenue for the 2027–32 regulatory control period from the application of the EBSS in the 2022–27 regulatory control period.

AusNet excluded debt raising costs, AEMO participant fees and easement land tax in calculating its EBSS carryover amounts.

AusNet also adjusted its actual opex to reverse movements in provisions for the period 2020–21 to 2025–26 for the purpose of calculating the EBSS.

6 NER, cl. 6A.14.1(1)(iv) and 6A.14.3(d)(2); AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013.

5.2.2 Application in the 2027–32 regulatory control period

AusNet proposed we apply the EBSS in the 2027–32 regulatory control period. AusNet supported the adjustments we apply in version 2 of the EBSS, and proposed we exclude the following cost categories in calculating its EBSS carryover amounts:

- debt raising costs
- easement land tax
- AEMO participant fees
- priority projects approved under Service target performance incentive scheme network capability component
- movement in provisions related to opex.

5.2.3 Stakeholder submissions

We received 1 submission relevant to the EBSS, from the Consumer Challenge Panel sub-panel (CCP34). CCP34 supported AusNet's proposed EBSS exclusions, subject to the AER confirming the exclusions are tightly defined, aligned with the EBSS scheme intent, and do not exclude controllable opex from the operation of the EBSS.[7]

5.3 Assessment approach

Under the National Electricity Rules (NER), we must determine:

- the revenue increments or decrements for each year of the 2027–32 regulatory control period arising from the application of the EBSS during the 2022–27 regulatory control period.[8]
- how the EBSS will apply to AusNet in the 2027–32 regulatory control period.[9]

The EBSS must provide for a fair sharing of opex efficiency gains and efficiency losses between AusNet and its network users.[10] We must also have regard to the following matters when implementing the EBSS:[11]

- the need to provide AusNet with a continuous incentive to reduce opex
- the desirability of both rewarding AusNet for efficiency gains and penalising it for efficiency losses
- any incentives that AusNet may have to inappropriately capitalise expenditure
- the possible effects of the scheme on incentives for the implementation of non-network alternatives.

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7 CCP34, *AusNet Services Transmission Regulatory Control Period 2027-32 (RP4) Consumer Engagement Report,* February 2026, p. 40.

8 NER, cl. 6A.5.4(a)(5).

9 NER, cl. 6A.14.1(1)(iv), 6A.14.3(d)(2).

10 NER, cl. 6A.6.5(a).

11 NER, cl. 6A.6.5(b).

5.3.1 Interrelationships

The EBSS is closely linked to our revealed cost approach to forecasting opex. When we assess or develop the opex forecast, the NER requires us to have regard to whether the opex forecast is consistent with any incentive schemes.[12]

Our opex forecasting method typically relies on using the revealed costs of the service provider in a chosen base year to develop a total opex forecast, if the chosen base year opex is not considered to be materially inefficient. Under this approach, a service provider would have an incentive to spend more opex in the expected base year. Also, a service provider has less incentive to reduce opex towards the end of the regulatory control period, where the benefit of any efficiency gains is retained for less time.

The application of the EBSS therefore serves two important functions:

1. it removes the incentive for a service provider to inflate opex in the expected base year to gain a higher opex forecast for the next regulatory control period
2. it provides a continuous incentive for a service provider to pursue efficiency improvements across the regulatory control period.

The EBSS does this by allowing a service provider to retain efficiency gains or losses for a total of 6 years, regardless of the year in which the service provider makes them. Where we do not propose to rely on the single year revealed costs of a service provider in forecasting opex, this has consequences for the service provider's incentives and our decision on how we apply the EBSS.

For these reasons, our decision on how we will apply the EBSS to AusNet has a strong interrelationship with our decision on its opex (see Attachment 3). We have careful regard to the effect of our EBSS decision when making our opex decision, and our EBSS decision is made largely in consequence of, and takes careful account of, our past and current decisions on AusNet's opex.

5.4 Reasons for draft decision

This section provides the reasons for our draft decision on the carryover amounts that arise from applying the EBSS during the 2022–27 regulatory control period, and how we will apply the EBSS in the 2027–32 regulatory control period.

5.4.1 Carryover amounts from the 2022–27 regulatory control period

Our draft decision is to include EBSS carryover amounts totalling –$78.5 million from the application of the EBSS in the 2022–27 regulatory control period. This represents a $13.9 million difference from AusNet's proposed carryover amount of –$92.4 million. This difference reflects the adjustments we made in applying the scheme, as summarised in section 5.1 and discussed below.

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[12] NER, cl. 6A.6.6(e)(8). Further, we must specify and have regard to the relationship between the constituent components of our overall decision: NEL, s 16(1)(c).

We consider that the EBSS carryover amounts we have calculated provide for a fair sharing of efficiency gains and losses between AusNet and its network users.

In our final decision, we will also update our EBSS carryover calculations to reflect actual opex for 2025–26 and update for the most recent inflation data. Our draft decision is based on the estimate of base year opex included in AusNet's proposal because actual data for 2025–26 was not available at the time the proposal was submitted.

We will also update for SaaS costs that reconcile to the AusNet's updated regulatory accounts and annual information orders which are pending at the time of our draft decision.

5.4.1.1 Inflation

Consistent with our standard approach, and opex forecast, we used unlagged inflation to convert opex amounts to 2026–27 real terms. In our draft decision we have used updated consumer price index values compared to those AusNet used in its proposal.[13] For 2025–26, we used the actual headline March quarter 2026 CPI figure published by the Australian Bureau of Statistics, which was released after AusNet submitted its proposal.[14] For 2026–27, we used forecast CPI values derived from the Reserve Bank of Australia's May 2026 Statement on Monetary Policy, which was also published after AusNet submitted its proposal.[15]

5.4.1.2 SaaS costs

AusNet's proposal included non-recurrent Software as a Service (SaaS) cost in total actual reported opex, for the 2022–27 regulatory control period to calculate EBSS carryovers. Our draft decision excludes the non-recurrent SaaS costs from total actual opex for calculating EBSS carryovers, aligning with our standard approach to mid-period accounting changes.

The non-recurrent SaaS costs were forecast as capital expenditure in AusNet's 2022–27 regulatory determination. Our standard approach is to exclude the impact of mid-period capitalisation and/or accounting treatment changes from the EBSS. This is achieved by ensuring any mid-period capitalisation and/or accounting changes are not implemented until the start of the new period. We do this to ensure the EBSS rewards (and penalties) reflect genuine efficiency changes rather than capitalisation and/or accounting treatment changes.

We consider that under this approach there would be no opportunity for a service provider to incur windfall gains or losses that have resulted purely from movement of expenditure between opex and capital expenditure due to mid-period cost reclassification. AusNet has agreed to this approach.[16] We also note the SaaS amounts used in the EBSS carryover calculations are a placeholder pending AusNet submitting further updated regulatory account information as discussed above.

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13 AusNet Services, *TRR 2027-32 RIN Workbook 3 – EBSS*, October 2025.

14 Australian Bureau of Statistics (ABS), *Consumer Price Index, Australia, March Quarter 2026*, released on 29 April 2026 (accessed on 8 May 2026).

15 Reserve Bank of Australia (RBA), *Statement on Monetary Policy, May 2026* (accessed on 10 May 2026).

16 AusNet, *Response to AER information request IR#003, Treatment of SaaS costs for 2022–27 regulatory control period*, December 2025.

5.4.2 Application in the 2027–32 regulatory control period

Our draft decision is to continue to apply version 2 of the EBSS to AusNet during the 2027–32 regulatory control period. It will apply to opex associated with prescribed transmission services, as discussed in Attachment 3. We consider applying the scheme will benefit the long-term interests of electricity consumers by providing a continuous incentive for AusNet to reduce its opex. Provided we forecast AusNet's future opex using its revealed costs in the 2027–32 regulatory control period, any efficiency gains or losses that AusNet achieves will lead to lower or higher future opex forecasts, and thus lower or higher network charges.

Version 2 of the EBSS specifies our approach to adjusting forecast or actual opex when calculating carryover amounts.[17] We set out these adjustments below.

5.4.2.1 Adjustments to forecast or actual opex when calculating carryover amounts

The EBSS allows us to exclude categories of costs that we do not forecast using a single year revealed cost forecasting approach in the following regulatory control period. We do this to fairly share efficiency gains and losses. Where a service provider achieves efficiency improvements, it receives a benefit through the EBSS, and consumers receive a benefit through lower forecast opex in the next regulatory control period. This is how consumers and the service provider share the benefits of an efficiency improvement.

If we do not use a single year revealed cost forecasting approach, we may not pass the benefits of these revealed efficiency gains to consumers. It follows that consumers should not pay for EBSS rewards where they do not receive the benefits of a lower opex forecast.

We do not forecast debt raising costs using a single year revealed cost forecasting approach. Instead, we provide a benchmark forecast. Accordingly, we have excluded these costs from the EBSS for the 2027–32 regulatory control period since any achieved efficiency gains or losses would not be passed on to network users.

AusNet's proposed 2027–32 total forecast operating expenditure (see Attachment 3, Section 3.4.4.3) included AEMO participant fees as a category specific forecast, thereby excluding the costs from the EBSS for the 2027–32 period. For the current period 2022–27 we approved the AEMO participant fees as a category specific forecast and excluded them from the EBSS. As discussed in Attachment 3, we now consider that due to the AEMC rule change the AEMO participant fees should be included as a step change and be subject to incentive regulation.[18] In particular, the AEMC's final rule determination indicates that participant fees are intended to be subject to the EBSS.[19] Therefore we will not exclude AEMO participant fees from the EBSS for the 2027–32 regulatory control period.

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17 AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013.

18 AEMC, *National Electricity Amendment (Recovering the cost of AEMO's participant fees) Rule 2022 No. 9*, October 2022.

19 AEMC, *National Electricity Amendment (Recovering the cost of AEMO's participant fees) Rule 2022 No. 9, Final Decision*, October 2022, p. ii.

We do not forecast easement land tax using a single year revealed cost forecasting approach. Accordingly, we have excluded these costs from the EBSS for the 2027–32 regulatory control period.

In addition to the excluded cost categories discussed above, and consistent with version 2 of the EBSS, we will also make the following adjustments when we calculate the EBSS carryover amounts accrued during the 2027–32 regulatory control period:

- adjust forecast opex to add or subtract any approved revenue increments or decrements made after the initial regulatory determination, such as approved pass-through amounts or opex for contingent projects
- adjust actual opex to add capitalised opex that has been excluded from the regulatory asset base
- adjust forecast opex and actual opex for inflation
- adjust actual opex to remove any movements in provisions
- adjust actual opex for any incentive scheme / allowance categories where inclusion would distort incentives
- adjust opex for any services that will not be classified as prescribed transmission services in the 2032–37 regulatory control period, to the extent these costs are not forecast using a single year revealed cost approach and excluding these costs better achieves the requirements of clause 6A.6.5 of the NER.

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AIO	Annual Information Order
CCP34	Consumer Challenge Panel sub-panel 34
CPI	consumer price index
EBSS	efficiency benefit sharing scheme
NER	national electricity rules
opex	operating expenditure
SaaS	software as a service