AusNet

January 2026 Bushfires

Cost pass through application

Thursday, 14 May 2026

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1. Executive summary

This application is made by AusNet pursuant to clause 6.6.1(a) of the National Electricity Rules (**NER**) and seeks approval from the Australian Energy Regulator (**AER**) to pass through additional costs for providing direct control services arising from the bushfires in north and eastern Victoria during January 2026.

The catastrophic impact of the January 2026 fires resulted in the Victorian Government declaring a State of Disaster on 10 January across 18 local government areas and one alpine resort, the majority of which are located in AusNet's distribution network.

Over 240,000 hectares of land, close to 900 kilometres of power lines and 350 poles were impacted by the January bushfires. AusNet and its service delivery partners undertook significant response efforts to make assets safe, support customers impacted by loss of supply and restore services as safely and quickly as possible. In some cases, AusNet could not safely access affected parts of the network for many weeks after the initial damage.

Minimising disruption to electricity supply for communities and customers was a priority during this event. AusNet provided a range of customer support during and after the event, including Emergency Management Mobile Assistance Vehicles (**EMMAs**) in key townships, a dedicated bushfire phone line and direct assistance to eligible customers to access relevant government payments.

AusNet has incurred, and expects to incur, material incremental costs in response to the January 2026 bushfires that are not provided for in our current 2021-26, or forthcoming 2026-31 distribution determinations. Our 2021-26 distribution determination includes a pass through event for natural disasters, including bushfires, which materially increases the costs of providing direct control services.

In this pass through application, we have included only costs that are incremental to our approved 2021–26 and 2026–31 revenue allowances and that would not have been incurred absent the event. We have undertaken a process to identify and exclude routine preparedness and business-as-usual emergency response costs, as well as network upgrades, from this application.

We are seeking pass through revenue of $16.1 million ($nominal, smoothed), largely driven by the replacement of damaged assets including poles and wires and an incremental increase in labour required for our dedicated emergency response (internal and contracted). Specifically, the key categories of incremental cost are summarised below:

- $25.0m for replacement of damaged network assets, including poles, wires, transformers and fuses.
- $15.7m for emergency response by our internal teams and delivery partners during and after the event, including managing our emergency response, attending to network incidents, undertaking condition assessments and performing repair jobs, necessary vegetation management work and Major Event Day Guaranteed Service Level payments

In managing the impacts of the bushfires on our network and customers, AusNet has responded efficiently, prudently, and sought to minimise the magnitude of the eligible pass through amount, to the extent possible. This includes implementing a range of operational improvements identified in the Post Incident Review of the February 2024 storms and the Victorian Government's Network Outage Review, to strengthen command, coordination and delivery during major events and mitigate their effects on our customers and network. Furthermore, as noted above, the costs included in this application represent only those incremental costs necessary to restore supply and meet regulatory obligations.

The incremental costs arising from the 2026 bushfires amounts to 5.6% of our annual revenue requirement for the 2025-26 regulatory year and therefore exceeds the one per cent materiality threshold in the NER for the pass through to qualify as a positive change event. We propose to recover the entire positive pass through amount of $16.1 million ($nominal) in 2027-28.

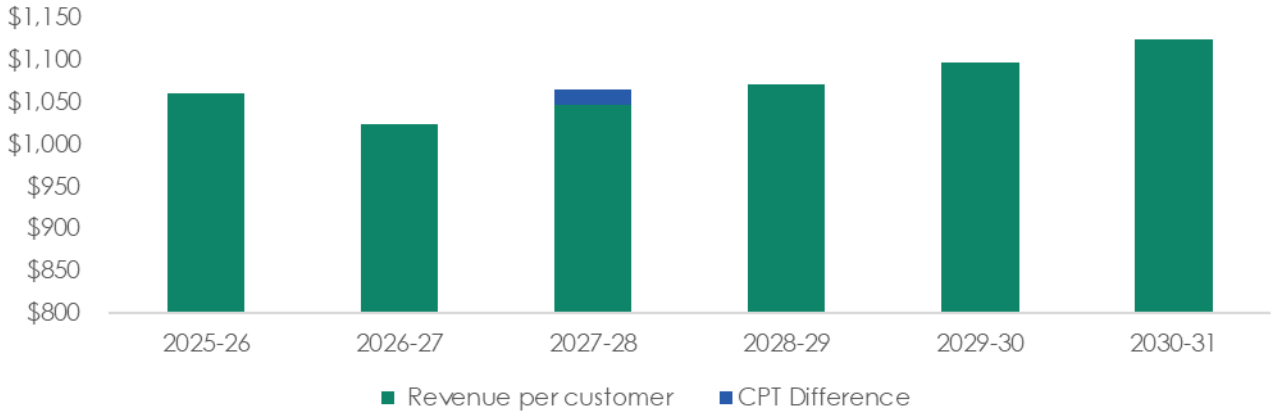
Table 1: Proposed pass through revenue in response to the bushfires ($m, nominal)

$m	2026-27	2027-28	2028-29	2029-30	2030-31	TOTAL
Revenue	-	16.1	-	-	-	16.1

Source: AusNet

As shown in the figure below, the approval of this pass through application would contribute to an increase of around $17 ($nominal) or 1.7% to the average customer's annual bill in 2027-28 and, therefore, not result in an undue level of price volatility for our customers. Accounting for this recovery, bills for customers connected to AusNet's distribution network are still expected to be broadly in line with 2025–26 prices in 2027-28. This approach also better manages the risk that subsequent cost pass through events, should they occur, become stacked on top of the cost recovery for this event in later years, creating more price volatility. We estimate that customer bills will increase by $11 for residential customers and $55 for small business customers in 2027-28.

Figure 1: 2025-2031 Average annual network cost for all customers, ($nominal)



Source: AusNet

2. Introduction

2.1. Our written statement

The purpose of this document is to detail our Application for a positive pass through amount of $16.1 ($nominal) relating to the January 2026 bushfires, which we consider to be a single event eligible for a cost pass through under the Natural Disaster Event included in our 2021-26 distribution determination in accordance with clause 6.6.1(a1)(5) of the NER.

This Application, and supporting documents, establish the matters set out in clause 6.6.1(c), namely:

- the details of the positive change event (see **Chapter 3**);
- the date on which the positive change event occurred (see **Chapters 2.2 and 3**);
- the eligible pass through amount in respect of the positive change event (see **Chapter 6**);
- the positive pass through amount we are proposing in relation to the positive change event (see **Chapter 6**);
- the amount of the positive pass through amount that we propose should be passed through to distribution network users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred (see **Chapter 6**);
- evidence[1]:
    - of the actual and likely increase in costs referred to in clause 6.6.1(c)(3) of the Rules; and
    - that such costs occur solely as a consequence of the positive change event (see **Chapter 5**).[2]

This Application also addresses the matters that the AER must consider under clause 6.6.1(j) of the NER in deciding the approved pass through amount.

2.2. Timing of this Application

To seek approval from the AER to pass through relevant costs, the NER require a DNSP to submit a written statement to the AER within 90 business days of the relevant positive change event occurring[3], or such longer period as agreed to by the AER[4].

This application was submitted to the AER on or before 18 May 2026, such date being within 90 business days of the relevant positive change event occurring on 7 January 2026 being the date on which AusNet's operational response to the emerging bushfire emergency first escalated beyond routine preparedness activities and incremental costs were first incurred. It also reflects the date on which fire ignitions in the Longwood and Walwa regions had occurred.[5]

Therefore, the requirement to submit the written statement by the requisite date is satisfied.

[1] We have noted recited clause 6.6.1 (c)(6)(iii) as it relates to a retailer insolvency event and is not applicable.
[2] We note clause 6.6.1(c)(7) requires us to provide such other information as may be required under any relevant regulatory information instrument. No such instrument has been issued by the AER at the time of submitting this statement. However, clause 6.6.1(e1) provides scope for the AER to request additional information to help it make its determination. We will welcome any such engagement if it will assist the AER in its deliberations.
[3] Clause 6.6.1 (c).
[4] Clause 6.6.1 (k).
[5] Clause 6.6.1 (c).

2.3. Structure of this Application and supporting documentation

The remainder of this document is structured as follows:

- Chapter 3 sets out the impact of the 2026 January bushfires and our response activities, including setting out the categories of activities that were required in response.
- Chapter 4 sets out the regulatory requirements for cost pass through applications and how we have met them.
- Chapter 5 sets out the incremental costs incurred in providing direct control services as a result of the January 2026 bushfire season.
- Chapter 6 sets out the eligible pass through amount and our proposed positive pass through amount in relation to this natural disaster event.
- Chapter 7 substantiates the efficiency of our decisions and actions in response to the January 2026 bushfire season event and explains why incremental costs in our Application are prudent and efficient.
- Chapter 8 summarises where the NER requirements have been addressed in this Application.

As part of our Application, we have also provided the following supporting documentation:

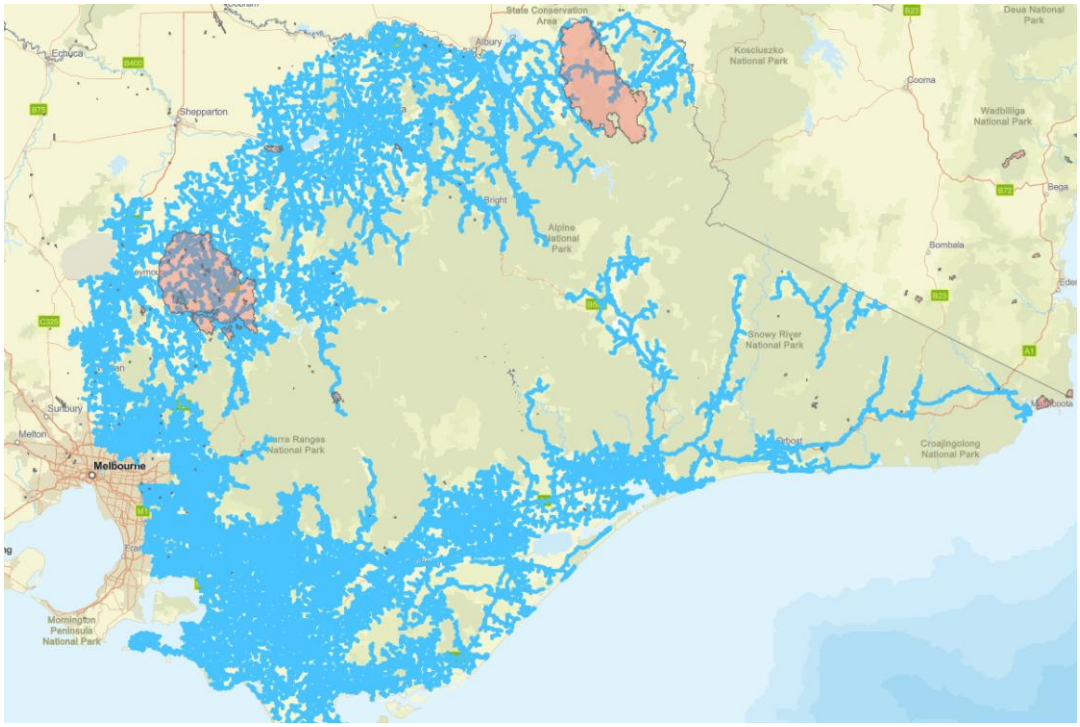
Attachment		Details
1	ASD - Attachment 1.1 - Build up of costs model - CONFIDENTIAL - May 2026 ASD - Attachment 1.2 - Build up of costs detail - CONFIDENTIAL - May 2026	Sets out the costs incurred as part of the January 2026 bushfire event and the relevant categories between capex and opex.
2	PTRM 2026-31 Final Decision update – PUBLIC RFM 2026-31 Final Decision update – PUBLIC Depreciation 2026-31 Final Decision update – PUBLIC	Updates to our Roll Forward Model (RFM), Depreciation Tracking Model and Post Tax Revenue Model (PTRM) to incorporate the pass through amount. This update was based on the Final Decision published by the AER on 30th April 2026.
3	ASD - Attachment 3 - EY Review of AusNet's costs - CONFIDENTIAL - May 2026	EY have reviewed AusNet's incremental costs for accuracy and validity.
4	ASD - Attachment 4 - Confidentiality template - PUBLIC	Completed template and reasoning of information that is confidential.
5	ASD - Attachment 5 - Victorian Government - State of Disaster - PUBLIC	A copy of the Victorian Government's release of the State of Disaster,

3. Impact of the January 2026 bushfires on our network and our response

3.1. The January 2026 bushfire season

This application relates to the extreme bushfire event across the northern regions of AusNet's distribution network area which commenced in early January continuing until early February when containment was declared.

Figure 2: AusNet distribution network overlayed with fire affected areas in this Application



Source: AusNet
Blue - indicates the AusNet distribution network
Red – indicates fire impacted areas of the AusNet distribution network

The event caused significant damage in the Longwood and Walwa regions to electricity assets, households, businesses, infrastructure, livestock and tragically the loss of life in Longwood. The fires in these regions arose from the same catastrophic fire danger conditions, involving prolonged extreme heat, dry landscapes and extreme winds.

The Australian and New Zealand Council for Fire and Emergency Services (**AFAC**), Seasonal Bushfire Outlook had already flagged an increased risk across most of the state[6], with soil moisture critically low after extended dry conditions across Victoria and NSW. A severe heatwave[7] brought temperatures well into the 40s for consecutive days described as the state's longest heatwave since 2009 placing sustained pressure on emergency services and energy infrastructure alike.[8]

Prior to the peak of the fires, early operational activities such as field mobilisation and coordination commenced from 7 January 2026, which went beyond routine preparedness and reflected an escalation response to observed fire ignitions, deteriorating network conditions and a credible risk of asset damage in the Longwood and Walwa regions, which were subsequently impacted the most during the peak fire period on 9–10 January 2026. This was highlighted by parts of our network experiencing several total fire ban days as shown in Figure 2 below. The CFA issued a Total Fire Bans (**TFB**) day across the whole state of Victoria on the 9th, 10th and 11th January.

[6] ABC, 26 February 2026, *National bushfire outlook puts NSW, Victoria and southern WA at heightened risk*
[7] The Guardian, 16 January 2026, *See how Victoria's bushfires spread: a visual guide to the scale of devastation*
[8] Department of Energy, Environment and Climate Action, 4 May 2026, *Victoria's grid shows strength through summer of extremes*

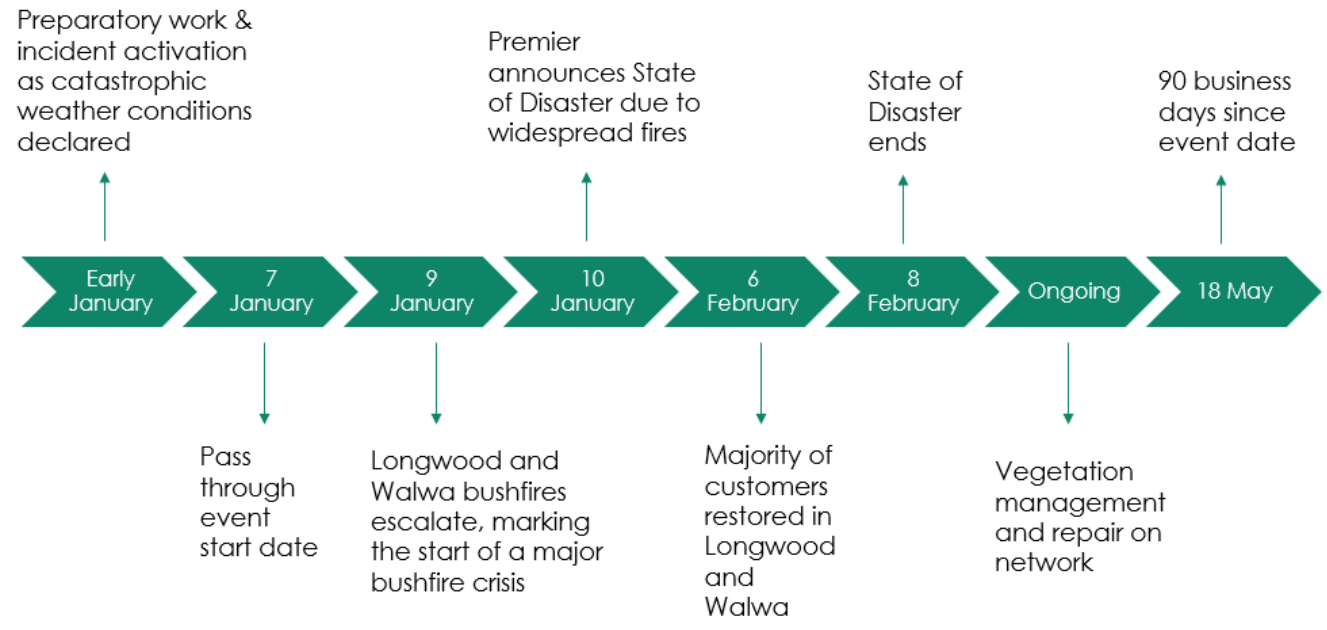
Figure 3: Examples of VicEmergency warnings on 9 and 10 January 2026

Source: https://www.emergency.vic.gov.au/respond/

In the early hours of Saturday 10th January, a peak of 10,000 customers were off supply due to the Longwood and Walwa regions. A state of disaster[9] was declared on 10th January at 12:29am by the Victorian Government for 18 Local Government Areas and one Alpine Resort following advice from the Minister for Emergency Services and the Emergency Management Commissioner. The State of Disaster was rescinded on 8th February reflecting the containment of the fires. Costs associated with separate bushfires occurring after this date and which impacted our customers and network (for example, the bushfire at Woods Point on 20 February) have not been included in this application.

The timeline below summarises the course of events relating to the bushfires event and this application.

Figure 4: January 2026 bushfire event timeline and AusNet response



Source: AusNet

[9] Victorian Government, 10 January 2026, *Victorian Government declares state of disaster*, see attachment 5

Further information on the scale and severity of the bushfires is available from the Country Fire Authority (CFA)[10] and the Bureau of Meteorology (BoM) [11], including evidence of the prolonged hot and dry conditions reflected in the 2025 Victorian annual climate summary. As shown in the maps on the following pages, sourced from the Fire Information for Resource Management System (FIRMS)[12] and AusNet's internal GIS tools, most of the fire activity and burn area for the Longwood and Walwa fires occurred on 9 January 2026.

The severity and widespread impact of the January 2026 bushfires were widely reported at the time, reflecting the scale of damage to communities, property and critical infrastructure across north-eastern Victoria. Independent media reporting documented substantial loss of residential structures[13], extended power outages[14] and the pressures placed on emergency services and insurers during the peak of the event.

Notwithstanding this concentration of fire impact around 9-10 January 2026, between 7 and 9th January AusNet undertook a range of preparatory and escalation-driven activities, that exceeded routine seasonal preparedness and response. These actions were undertaken in response to observed fire ignitions, deteriorating network and weather conditions, and a credible risk of further asset damage in the Longwood and Walwa regions. These activities are described further in Section 3 of this application.

The images below illustrate the extent of damage to AusNet's network that first had to be made safe before crews could access affected areas to assess damage and restore electricity supply to customers as safely and as quickly as conditions allowed.

[10] Country Fire Authority (Vic), 2025–2026 Bushfires, https://www.cfa.vic.gov.au/about-us/history-major-fires/major-fires/2025-2026-bushfires
[11] Bureau of Meteorology, Annual climate summary – Victoria 2025, https://www.bom.gov.au/climate/current/annual/vic/summary.shtml
[12] Fire Information for Resource Management System, https://firms.modaps.eosdis.nasa.gov/map/
[13] ABC News, 13 January 2026, *Victoria bushfires: hundreds of homes destroyed as insurance claims surge*
[14] News.com.au, January 2026, *Victoria battling major blazes at Longwood and Walwa*

Figure 5: Examples of severe damage to our network as a result of the January Walwa bushfire along Murray Valley Hwy, Koetong. [15]

[15] AusNet, Field crew photos, January 2026

Figure 6: Examples of severe damage to our network as a result of the January Longwood bushfire in the Highlands.[16]

[16] AusNet, Field crew photos, January 2026

3.1.1. Longwood fire

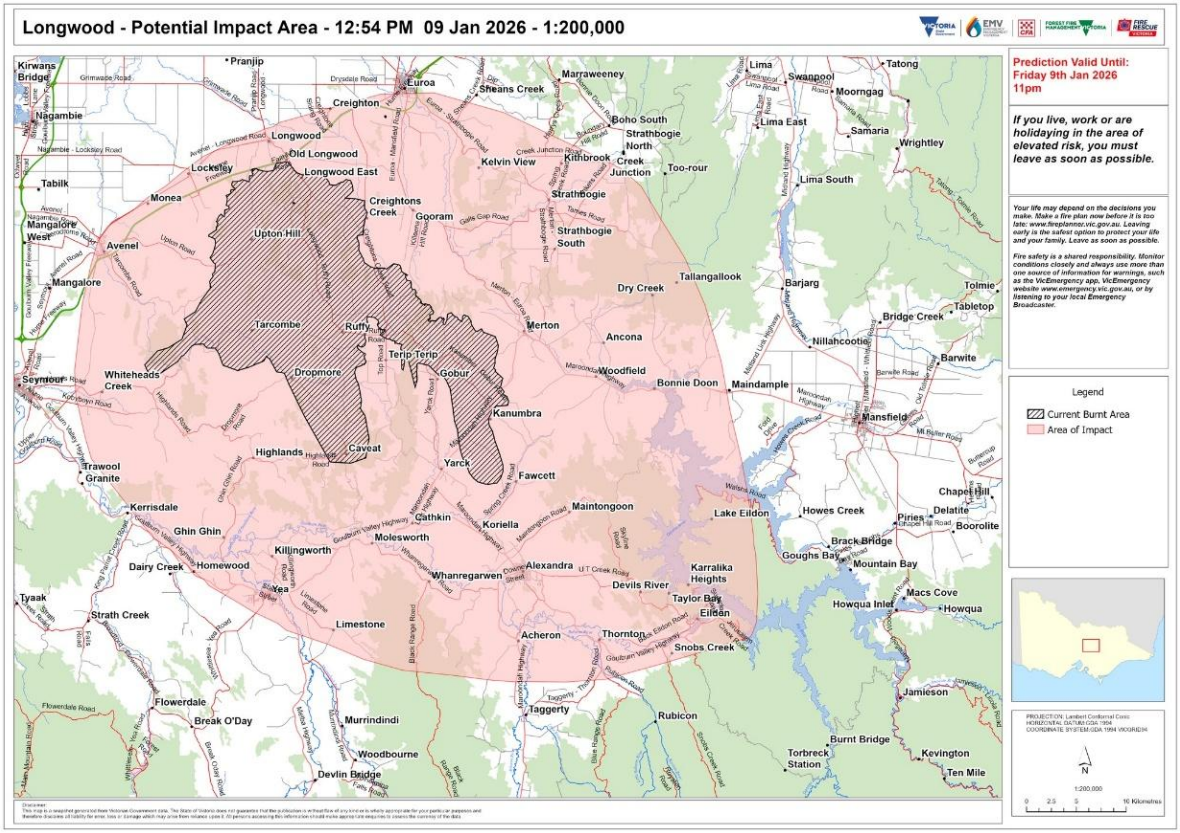
The Longwood fire was one of the largest and most destructive fires that occurred in Victoria during the January 2026 fire season. It commenced on 7 January 2026, burned over 136,000 hectares and claimed at least one life. The fire was believed to have been ignited from sparks from a trailer travelling along the Hume Highway, arising under the extreme weather conditions discussed above. The fire was characterised by fast-moving, high-intensity fire behaviour across largely open grazing and pastoral land interspersed with bushland, rural settlements and agricultural properties. The scale of damage included destruction of hundreds of residential and agricultural buildings, hundreds of kilometres of fencing and significant livestock losses. It was observed that grassfires made an important contribution to the consequential damage pattern:

> *Dry grass and other materials across paddocks allowed fires to spread quickly once ignited. Embers often appear to have started fires in grass near buildings and secondary items such as round hay bales, which then spread across open areas and contributed to impacting isolated structures. Strong winds also carried embers long distances, increasing the chance of fires starting well away from the main fire front.*[17]

The fire peaked on 9-10 January 2026, and by 12 January 2026, hundreds of homes and other buildings had been destroyed. In particular, the severity of the bushfire is highlighted by Risk Frontiers'[18] assessment of structures within the Longwood bushfire impact area. The field survey found that approximately 98% of properties affected by the fire were ultimately destroyed, with results indicating that once buildings became involved, they were almost always damaged to such an extent that they were classified as destroyed and no longer structurally sound. This outcome highlights the extreme intensity of the fire and the limited opportunity for assets exposed to the fire front to be preserved.

The Longwood fire resulted in significant damage to network infrastructure, including the destruction of close to 300 poles as well as transformers, insulators and vibration dampers. The event also necessitated the replacement of over 400 fuses to support the safe restoration of the network. The Longwood fire was considered contained by 21 January 2026.

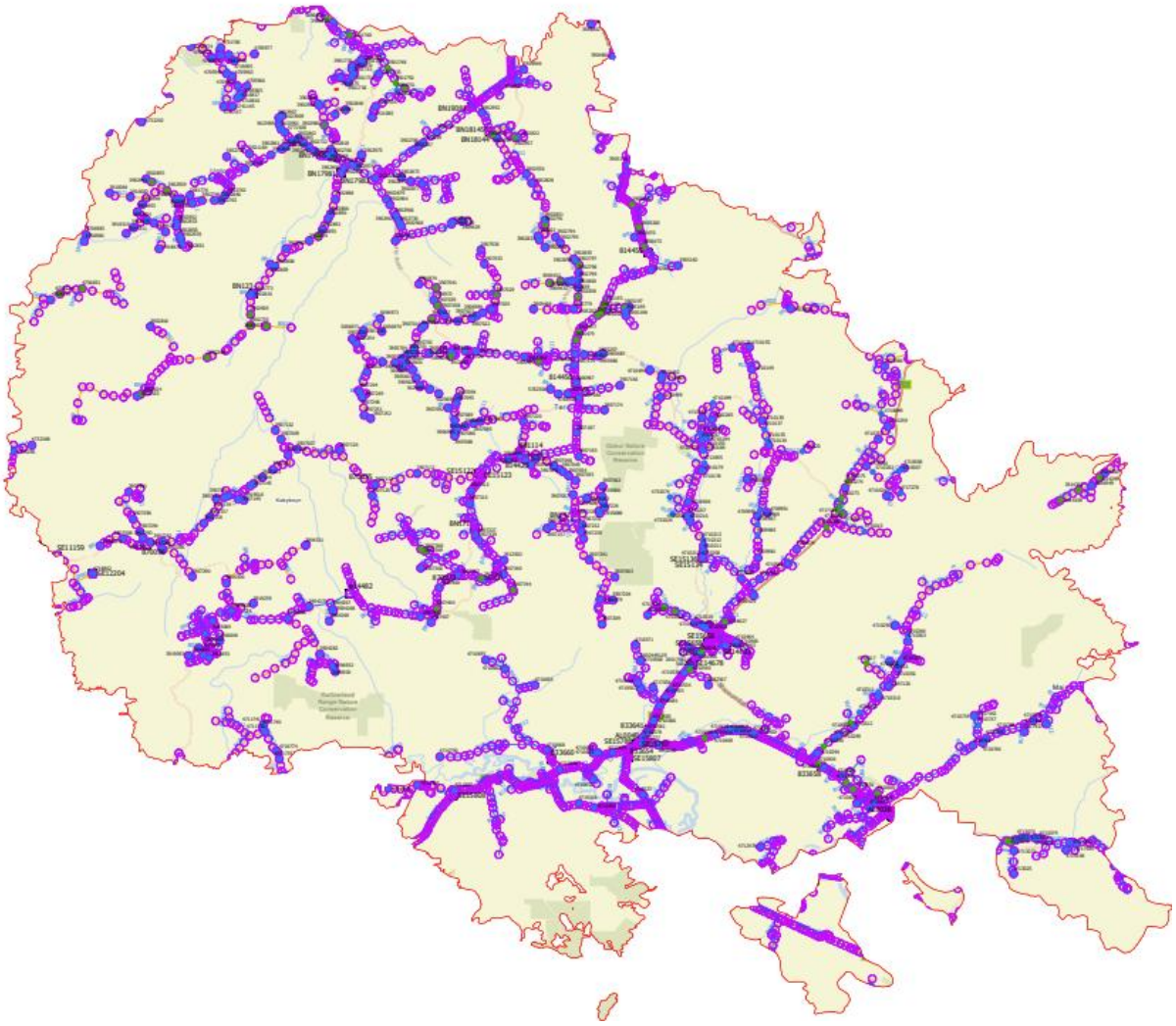
Figure 7: CFA and VicEmergency 9th January – Longwood impact area



Source: CFA

[17] Risk frontiers, 6 March 2026 Victorian-Bushfires-2026-Longwood-Fire-Post-Event-Field-Survey.pdf, p 4.
[18] Risk frontiers, 6 March 2026 Victorian-Bushfires-2026-Longwood-Fire-Post-Event-Field-Survey.pdf, p 5.

Figure 8: Locations of networks assets in fire complexes impacted by the bushfires in Longwood



Source: AusNet
Purple - indicates poles within the fire area that required physical inspection to ensure network safety.
Blue - indicates poles that were damaged and required replacement.

3.1.2. The Walwa bushfire

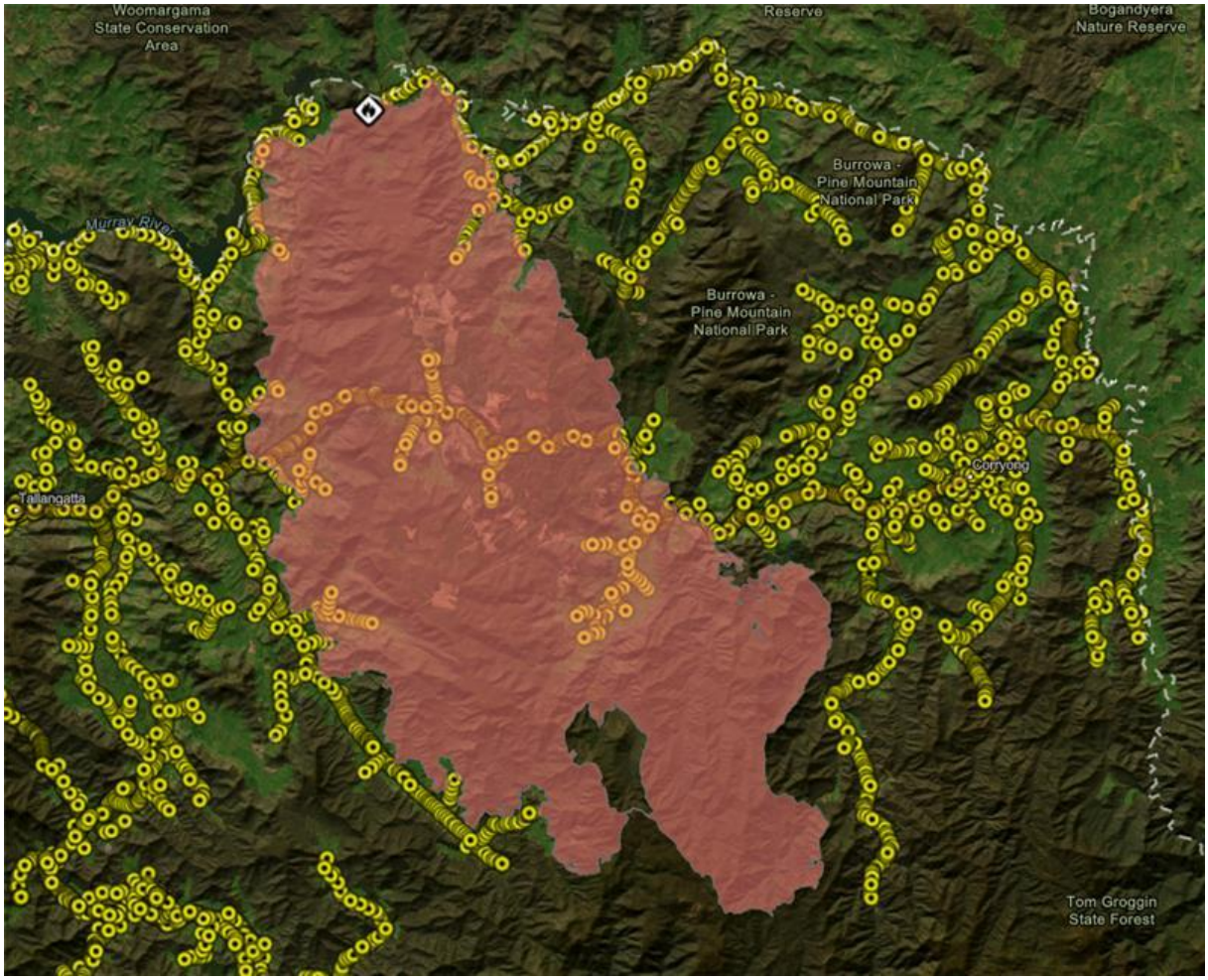
The Walwa fire was also one of the most significant and destructive bushfires of the 2025–26 Victorian fire season. It was the first fire that broke out on 5 January 2026[19], burned over 110,000 hectares across eastern Victoria and southern New South Wales and was characterised by extreme fire behaviour, including the formation of pyrocumulonimbus cloud systems which generated erratic winds, lightning and rapid fire spread.

Risk Frontiers'[20] analysis indicates that the Walwa fire exhibited exceptionally high fire line intensity and spotting behaviour, driven by the same prolonged dry conditions, heavy fuel loads and catastrophic fire weather that contributed to the Longwood fire. These conditions severely limited suppression effectiveness and significantly increased the likelihood of asset loss once exposed to the fire front. The intensity and unpredictability of the Walwa fire materially heightened the risk to AusNet's network assets, contributing to widespread damage and extended access constraints across the affected areas. Similar to the Longwood fire, the Walwa fire intensified dramatically by 9 January, when strengthening winds ahead of a cool change made the fires wind driven, fast moving and impossible to control. The Walwa fire resulted in significant damage to network infrastructure, including the destruction of close to 50 poles as well as transformers, insulators and vibration dampers. The incident also necessitated the replacement of over 150 fuses to support the safe restoration and ongoing reliability of the network.

[19] Risk Frontiers, 30 January 2026, The-Early-January-2026-Victorian-Grassfires-and-Bushfires-2.pdf, p 2.
[20] Risk frontiers, 30 January 2026, The-Early-January-2026-Victorian-Grassfires-and-Bushfires-2.pdf, p 2.

The Walwa fire continued into late January, but the acute emergency phase of the fire ended around the same time as the Longwood fire.

Figure 9: Area subject to bushfires in Walwa and location of AusNet assets in yellow



Source: Emergency Management Victoria and AusNet

3.2. AusNet's response to the event

Restoring supply to the bushfire-affected areas and ensuring safe operation has resulted in a significant increase in costs to provide direct control services to customers in the regions affected by the January bushfires. The following sections set out the emergency works and operational activities that we have undertaken in response to the January 2026 bushfires.

3.2.1. Incident Response

Hundreds of firefighters and aircraft were involved in containing and suppressing the bushfires. Active firegrounds, road closures and unsafe conditions delayed damage assessments and restoration works which created hazardous conditions, cutting roads and disrupting local services as firefighters from multiple states battled flames through extreme heat.[21] As conditions improved, AusNet progressed restoration in stages; however, some areas experienced extended outages due to ongoing access and safety constraints.

Consistent with its Emergency Management arrangements, AusNet established teams in the North and East network operations areas, supported by the Incident Management and Crisis Management executive teams. To strengthen coordination, we also stood up dedicated hubs for restoration planning, customer communications, generators/alternate supplies, and data and mapping. To assist with obtaining and providing near real-time

[21] Department of Energy, Environment and Climate Action, 4 May 2026, *Victoria's grid shows strength through summer of extremes*

information AusNet embedded its Emergency Management Liaison Officers in incident and regional control centres and the Victorian the State Control Centre.

AusNet implemented measures to keep affected (or at-risk) customers informed, including an extended-hours, seven-days-per-week support line and media support. During the height of the fires, AusNet also posted daily updates on our website on restoration progress.

AusNet's restoration targets were necessarily constrained by safety and access approvals. Safe access to fire-affected areas was subject to authorisation by fire control authorities. At Longwood, AusNet could not enter the area until 20 January without a CFA escort and was required to retreat several times throughout January due to fire risk. Dense smoke haze also hampered aerial assessment. Unimpeded access was not granted until late January, when fires in this area were under control (although they continued to burn until early February).

Where network connection could not be reinstated due to the scale of damage or unsafe access, AusNet deployed larger, community-scale generators at locations where the local network remained able (or could be readily made able) to supply customers. Generators were installed at Ruffy, Highlands and Corryong.

Figure 10: Temporary generators installed to restore customer supply for Corryong township.

Source: AusNet

Crisis management

The Strategic Plan for Integrated Response and Contingency System (SPIRACS) is the AusNet Emergency Management Plan and is reflective of and consistent with Victorian Emergency Management arrangements. SPIRACS contains triggers to ensure that events are assessed and escalated to the Incident Management Team (**IMT**) and/or Crisis Management Team (**CMT**) as needed. AusNet and its delivery partners who participate in emergency response upon escalation from business-as-usual operations are trained in the escalation procedures and participate in training and exercising so that roles and decision-making process are well understood. This facilitates the effectiveness of AusNet's response to the incident.

Noting the forecast weather the fire danger conditions and catastrophic fire danger day declaration, the IMT was activated on 5 January, placing AusNet and its delivery partner into a heightened state of readiness. As the general fire situation deteriorated and impacts and consequences to AusNet become known, the CMT (comprising the Executive Leadership Team) was activated on 10 January. AusNet deactivated its IMT and CMT on 14 January.

Further information on the SPIRACS escalation process can be provided upon request.

Bushfire crisis inquiry

The Victorian Government has initiated a bushfire crisis inquiry on the summer bushfires of 2025-26. This inquiry is currently in progress, with the terms of reference including:[22]

- Resilience of critical services and infrastructure;
- Lessons from and progress on the implementation of recommendations from previous inquiries, reports and Royal Commissions; and
- The impact on the environment and climate change

Our April 2026 submission[23] documented AusNet's bushfire preparedness and response during the 2025–26 summer, including the safe restoration of customers under extreme conditions that necessitated material, unplanned operational measures beyond BAU activities.

3.2.2. Internal labour involved in the emergency response

Community Support Team (CST)

Prior to the event the CST, under the direction of the engagement sub-lead, mobilised the CST which included CST-trained team members from across the business as well as the Emergency Management Mobile Assistance Vehicles (**EMMAs**), ready for deployment.

From Saturday 10 January the CST was deployed to support the most highly affected communities – this involved both on-the-ground as well as desk-based engagement activities. The EMMAs were utilised to support customers every day apart from 3 days until Monday 2 February.

The CST worked across several roles including:

- Event and customer coordination (desk-based)
- EMMA / community centre support across 6 LGAs and 22 locations (on-the-ground)
- Major customer engagement (both desk-based and on-the-ground).

This work required long hours from team members to ensure AusNet was working closely with customers, councils, delivery partners and community groups as well as our regional EMLOs and delivery partners to share timely and accurate information as it became available (information flowed both ways).

The CST attended multiple relief centres and community hubs in some of the most affected locations such as Ruffy, Longwood, Yarck, Corryong and Alexandra.

After the incident, key members of the CST continued to support the remaining customers needing to reconnect to the network, closing out outstanding customer issues, debriefing with LGAs, key major customers and the CST whilst also taking part in organisational post incident reviews (**PIRs**).

Figure 11: Emergency Management Mobile Assistance vehicles (EMMAs)

Source: AusNet

[22] Parliament of Victoria, 4 February 2026, Terms of reference – Inquiry into the 2026 summer fires across Victoria
[23] AusNet, 20 April 2026 accessed at: https://www.parliament.vic.gov.au/499169/contentassets/ed4f167e325843f19bb4a9404f9c381e/submission-documents/459.-ausnet-submission_redacted.pdf

Bushfire support line, Prolonged Power Outage Payment (PPOP) and social media

This involved setting up of a dedicated bushfire support line open from 8am to 8pm seven days a week for questions about recovery, support and re-establishing electricity connections.

We also directly contacted all customers who are eligible to apply for the Prolonged Power Outage Payment (**PPOP**) through the Victorian and Federal Government's financial relief for households impacted by the January 2026 bushfires and heatwave. This program is subject to specific eligibility criteria, where residential customers must be without power for seven cumulative days from 7 January 2026, which coincides with event commencement date in this Application.

In addition, AusNet increased the frequency and intensity of its external communications to impacted communities. Regular updates were provided through social media platforms, including Facebook, to keep customers informed of restoration progress, safety information, and available support. These enhanced communications were necessary to manage heightened customer expectations and information needs during the event and contributed to the overall surge in resourcing requirements.

Regional Restoration teams

Regional restoration teams were established Thursday the 8th of January to coordinate the restoration and reconstruction of the electricity network impacted by the Longwood and Walwa fire events. These activities were undertaken in close collaboration with AusNet and contracted field service delivery partners to ensure a coordinated and efficient response.

These teams, together with the dedicated rebuild teams, were responsible for overseeing and managing all aspects of the recovery program. This included vegetation assessment and clearance, detailed asset condition assessments, engineering design, and delivery of works, as well as the continued operation of the network. All activities were undertaken with ongoing coordination with the control room to maintain system integrity and operational oversight, which we have claimed in this application.

Non-rebuild teams

Consistent with previous approved storm cost pass through applications, we have limited the capture of office-based engineering and technical staff costs to overtime only. This ensures that only labour costs that are incremental to BAU activities are included in this application. Office-based staff continued to perform their core BAU roles during the event. Accordingly, standard salary costs have been excluded. Overtime was incurred solely as a consequence of the bushfire response, reflecting the additional effort required to support emergency coordination beyond normal working hours. This approach ensures that the office-based labour costs included in the application represent only incremental costs directly attributable to the bushfire, do not duplicate costs already provided for in AusNet's approved allowances.

3.2.3. Inspection and restoration of supply

Our field delivery team is responsible for carrying out repairs and restoration work, including establishing temporary generation to reconnect AusNet's customers. Our field delivery services are provided primarily by a third-party contractor, Zinfra Pty Ltd (Zinfra), a fully integrated services provider with whom we have surge capacity arrangements for large scale events. AusNet also had access to additional surge delivery partners that support Zinfra along with mutual aid arrangements with other distribution businesses.

AusNet was able to scale up fault field resources throughout the event by also using additional sources on top of Zinfra including Ventia Utility Services Pty Ltd (Ventia), Service Stream, UGL & Electrix. Scaling resources reduced the time customers and communities were off supply.

Restoration works, including during bushfire events, are sequential in nature and typically follow a process including initial inspection and patrols, planning, materials management, site clearance/access, vegetation management, construction works and customer restoration. Many inspection, clearance and reconstruction activities necessarily occurred after the fires were controlled, reflecting access constraints, safety requirements and the scale of network damage. These activities were nonetheless directly attributable to rectifying bushfire damage and restoring supply to customers.

Initial inspection

The first activity in the recovery effort was to patrol the affected distribution lines to ascertain the extent of the asset damage. This is a critical first step field response, as it also enables an assessment of the relative difficulty in restoring customers' electricity supply. This work was conducted as soon as it was safe to do so. The costs we incurred during this initial inspection phase include timesheet costs for asset inspectors; helicopter hire for aerial inspections and fuel costs for vehicles.

Tree clearing

The rural network traverses' areas that are heavily treed and vegetation burnt and damaged by the bushfires also impacted on the network by falling across the lines. There were also many burnt trees still standing, outside of the normal clearing space, which posed significant risk to the network from the likelihood of falling into the powerlines. Removing these hazardous trees to remove the risk they pose to the network was a high priority activity to enable

timely and safe restoration of supply and remove any further risks arising from this source. It was imperative that vegetation clearance and the removal of hazardous trees were completed prior to field crews attending site, to ensure the safety of personnel and to prevent further damage to network infrastructure. Other fire-affected vegetation that had fallen across the power lines or within the normal clearance area was similarly treated to restore service.

Restoration of supply

Once safe access was obtained, construction work could commence to clear vegetation, repair the network and replace damaged assets. Cost associated with this work are largely labour (contracts) and purchasing additional materials where necessary (e.g. poles, conductors). We also deployed mobile generation to critical locations including at Ruffy to power the CFA and the community centre along with a generator powering the Corryong township.

Power line reconstruction

Damaged assets required replacement, including poles, crossarms, transformers, spiral vibration dampers, surge arrestors, conductors and conductor fittings.

Figure 12: Powerline reconductoring work and inspection of bushfire impacted poles

Source: AusNet

3.2.4. Vegetation management

Our network covers areas that are heavily vegetated and the January Bushfires caused significant damage from burnt and fallen trees and power lines, including damage to our power lines and other assets. The January Bushfires caused significant damage to vegetation in the Longwood and Walwa regions, with trees burnt and large branches charred, becoming fragile and dangerous in the extreme conditions.

Vegetation management crews are responsible for clearing vegetation from AusNet's assets to enable repair work to be undertaken by the field delivery team. Vegetation crews attended to faults where trees and branches had damaged infrastructure or where trees were damaged to the extent that they posed a significant risk to the electrical network. Our vegetation management services are provided by two contracted service providers, with whom we have surge capacity arrangements for large scale events. During the January Bushfires, dispatch of the vegetation management crews commenced on 10 January 2026, with the majority of the jobs being carried out during the week following the event, with some clean up works continuing into mid-April.

At the time of this application the majority of vegetation management related activities have been completed with any additional works quoted by our service provider.

To account for the potential for these activities to avoid future vegetation management work and costs, we have made a net reduction to our cost pass through amount. Further information on the amount can be found in section 5.2 of this application.

Vegetation works included in this application are limited to addressing fire-damaged or hazardous vegetation affecting the network and do not involve changes to vegetation management practices or programs beyond restoring the network to its pre-fire condition.

Vegetation management expenditure incurred as part of the bushfire recovery program is directly attributable to asset replacement and reinstatement activities. The vegetation works are undertaken to enable access, site preparation, and the safe construction or replacement of damaged network assets and are therefore an integral component of the replacement works rather than standalone maintenance activities.

Consistent with accounting standards, costs that are directly attributable to bringing an asset to the condition and location necessary for it to operate as intended are capitalised. Accordingly, vegetation management costs that directly support asset replacement activities are capitalised, as they are incurred as part of a coordinated replacement program and contribute to the generation of future economic benefits through the construction of network assets. The capitalisation treatment is applied in line with the underlying maintenance and replacement CAPEX/OPEX split for inspection and restoration of supply activities, reflecting the direct relationship between the vegetation management activities and the associated capital works.

Figure 13: Examples of burnt vegetation near damaged powerlines

Source: AusNet

3.2.5. Guaranteed Service Level scheme

The Electricity Distribution Code of Practice (Code of Practice) requires Victorian distributors to make GSL payments to customers who receive a level of service that falls below a specific minimum threshold. GSL payments are designed to acknowledge the inconvenience, and potential damage customers experience for interruptions to their service.

Since 1 July 2021, the GSL scheme has included a $90 payment for customers off supply for more than 12 hours on a MED[24]. The Code of Practice does not make provision for distributors to be excused from making Major Event Day (MED) GSL payments.

For the January bushfires, we were required to pay 21,930 MED GSL payments to customers, costing $1.97M (MED Payment). The MED Payment meets the cost pass through criteria for the following reasons:

- it was a direct consequence of a natural disaster event, being the January bushfires event; and
- it is not funded through our 2021-26 GSL opex allowance.

Consistent with the approach in our approved February and September 2024 storm pass throughs, we propose to recover the MED GSL payment for the January bushfires through this pass through process. Taking this approach means we do not need to accommodate such costs in our opex forecasts for future regulatory periods. Given the AER has accepted this approach in previous cost pass throughs, we removed MED GSLs that have been recovered via cost pass through applications in our EDPR Revised Proposal 2026-31 GSL and opex forecasts, which the AER accepted in its final decision.

[24] Clause 14.6 of Electricity Distribution Code of Practice

3.2.6. Backlog

AusNet has also accounted for variation requests from the delivery partner for additional charges incurred due to business-as-usual work cancellation and rescheduling arising from the bushfire recovery efforts. The total variation claim from the delivery partner is equal to $0.1m. Claiming these costs – which would not have been incurred but for the January bushfires - is consistent with previous approved cost pass through applications.[25]

[25] AER - Determination – September 2024 storm cost pass through – AusNet Services, March 2025, p18.

4. How we meet the regulatory requirements

Under the NER, a pass through of incremental costs not included in our distribution determination is based on the occurrence of a 'positive change event'.

For the purposes of this Application, the positive change event is defined as the 2026 January bushfire season occurring from 7th January 2026 and continuing until bushfire containment in late January.

This chapter sets out why the January 2026 bushfire season meets the requirements of a positive change event, being that:

- it is a pass through event – in particular, it satisfies the definition for a 'Natural Disaster Event' as provided for in our 2021-26 Distribution Determination.
- while the event consisted of two geographically separate fires, it is properly characterised as a single event in accordance with the AER's previous decisions.
- the event has resulted in us incurring 'materially higher costs' in providing direct control services.
- the event is not a contingent project or an associated trigger event.

4.1. Natural disaster pass through event

4.1.1. Positive change event

A positive change event is defined in the NER as[26] a pass through event, other than a retailer insolvency event which entails the DNSP incurring materially higher costs in providing direct control services than it would have incurred but for the event but does not include a contingent project or an associated trigger event.

The key requirements for a positive change event are therefore:

- That it is an approved pass through event for the DNSP;
- The occurrence of materially higher costs in providing direct control services as a direct result of the event; and
- The event is not a contingent project or associated trigger event.

4.1.2. Pass through event being a natural disaster event

A 'pass through event' means, for a distribution determination, an event specified in clause 6.6.1(a1)[27]. The clause specifies that each of the following are a pass through event:

1) a regulatory change event;
2) a service standard event;
3) a tax change event;
4) a retailer insolvency event[28]; and
5) any other event specified in a distribution determination as a pass through event for the determination.

This application is in respect of a nominated pass through event under clause 6.6.1 (a1)(5).

The relevant distribution determination during which the January bushfires occurred is our 2021-26 determination[29]. The AER's Final Decision confirmed that a 'natural disaster event' will apply to as a nominated pass through event for the 2021–26 regulatory period.

A 'natural disaster event' is defined as:

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[26] NER, Chapter 10.
[27] NER, cl 6.6.1 (a1) and Chapter 10 (definition of 'pass through event')
[28] This event definition is not applicable in Victoria as Victoria is not a NECF jurisdiction.
[29] Available at: https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/ausnet-services-determination-2021-26/final-decision

"any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2021–26 regulatory control period that changes the costs to AusNet Services in providing direct control services, provided the cyclone, fire, flood, earthquake or other event was:

(a) a consequence of an act or omission that was necessary for the service provider to comply with a regulatory obligation or requirement or with an applicable regulatory instrument; or

(b) not a consequence of any other act or omission of the service provider"[30]

4.1.3. Cause of the January 2026 bushfires

For the January 2026 bushfires to qualify as a pass-through event, it must be demonstrated that the event did not arise from, and was not contributed to by, any act or omission of AusNet.

Monthly fire reports prepared by AusNet confirm that AusNet's assets were neither the cause of, nor a contributing factor to, the January 2026 bushfires. These reports identify no equipment failure, operational deficiency, or network-related incident associated with the ignition or spread of the fires.

Accordingly, the January 2026 bushfires constituted an exogenous and uncontrollable event, falling outside AusNet's reasonable control and operational influence.

4.1.4. Single natural disaster event

We acknowledge that the Longwood and Walwa fires were geographically separate and did not merge. However, the geographical distance between fires alone is not determinative of whether multiple fires constitute a single natural disaster event for the purpose of clause 6.6.1 of the NER. The AER has previously accepted that multiple simultaneous fires can together constitute a single natural disaster event where those fires are sufficiently related, having regard to whether they shared the same underlying cause and occurred in close proximity in time.

4.1.4.1. AER's established approach

In its determinations for AusNet Services[31] and Endeavour Energy[32] in respect of the 2019-20 bushfires, the AER accepted that multiple fires burning simultaneously across a network area constitute a single natural disaster. In doing so, the AER identified two key considerations:

- Whether the fires shared a similar underlying cause (such as common extreme weather conditions); and
- Whether they occurred in relatively close proximity in time.

The AER also emphasised the relevance of a coordinated firefighting and emergency response and whether the fires are recognised collectively in State of Emergency or Disaster declarations encompassing different regions subject to bushfire.

In its assessment of TransGrid 2019-20 pass through decision, where the AER declined to treat all the NSW bushfires as a single event, it emphasised that this was because of the considerable geographical distances between distinct regional fire groupings across the whole of NSW, the fact that the various Catastrophic Fire Danger forecasts were issued for specific sub-regions rather than statewide and the extended period of time over which the various fires were burning being six months.[33]

This contrasts with the case here, where AusNet experienced fires driven by the same shared weather conditions, were managed concurrently within the same compressed and concurrent timeframe of weeks rather than months, under a unified statewide emergency management framework and single State of Disaster declaration period.

4.1.4.2. Application to the Longwood and Walwa fires

Both fires had a common underlying cause of the same extreme weather system and the fires broke out in the first week of January 2026 and escalated under an identical statewide weather system.[34] Victoria experienced its most dangerous fire conditions since the 2019-20 Black Summer, driven by a prolonged heatwave with temperatures exceeding 40 degrees for consecutive days, critically low soil moisture following extended dry conditions and forecast winds exceeding 100km/h.[35] The AFAC Seasonal Bushfire Outlook had already flagged elevated risk across most of the State[36], with a State of Disaster declared for 18 local government areas on the same day.

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[30] AER, AusNet Services distribution determination final decision 2021–26, Attachment 15 – Pass through events, pp. 15-17 to 15-18.
[31] AER, Determination – AusNet 2019-20 Bushfires Cost Pass Through Application, November 2020, p 17.
[32] AER, Determination – Endeavour Energy 2019-20 Bushfires Cost Pass Through Application, February 2021, p 17.
[33] AER, Determination – Transgrid 2019-20 Bushfires Cost Pass Through Application, May 2021, p 15.
[34] The Conversation, 8 January 2026, accessed at https://theconversation.com/victoria-bushfires-at-a-glance-273002
[35] Risk Frontiers, 30 January 2026, The-Early-January-2026-Victorian-Grassfires-and-Bushfires-2.pdf, p 2.
[36] Australian and New Zealand Council for fire and emergency services, 27 November 2025, accessed at https://www.afac.com.au/public-resources/seasonal-bushfire-outlook-summer-2025

The same atmospheric conditions – including the same advancing cool change and north-westerly wind shift on 9 January 2026 – caused both fires to escalate simultaneously, becoming wind-driven and fast moving on the same day.

Coincident ignition and escalation period

Both fires ignited in early January (5 and 7 January 2026) within days of each other. Both escalated sharply on 9 January 2026 – the single most dangerous fire day – when strong heads ahead of a cool change rendered both fires impossible to control.[37] The simultaneous escalation was not coincidental – it was a result of the same meteorological event passing across the state. The fires therefore occurred within the same escalation period and required coordinated, concurrent emergency management response.

Concurrent management as a single statewide emergency

The Longwood and Walwa fires were managed concurrently as part of a single statewide bushfire emergency throughout the critical period. The declaration of a State of Disaster on 10 January 2026 encompassed the regions affected by both fires.[38] Public alerts and warnings were issued together, the fires were communicated to the public as the two major fires defining the state emergency and resource deployment decisions were made in the context of both fires burning simultaneously. [39] In particular, following the escalation of the fires on 9 January 2026, the AFAC National Resource Sharing Centre coordinated assistance for Victorian fires encompassing Longwood and Walwa fires, with 500 resources deployed to Victoria as well as 47 tankers from NSW and SA.[40]

This concurrent management under the same emergency framework supports the conclusion that these fires were sufficiently related events.

4.1.4.3. Conclusion

For the above reasons, the Longwood and Walwa bushfires formed part of a single, continuous bushfire emergency driven by the same extreme weather system and conditions and occurring within the same escalation period and emergency response framework.

4.2. Material increase in providing direct control services

Another of the thresholds that must be satisfied for the AER to approve a positive pass through application is that the cost to the DNSP of providing direct control services must increase "materially" as a result of the pass through event.

The event impacted AusNet's operations during and in the following weeks after the event, requiring additional resources including labour and materials needed in response to the January bushfires. Specifically, the scale, speed and severity of the January bushfires were beyond the assumptions embedded in the AER's 2021-26 allowances and required us to incur additional material costs, including:

- $3.3m for internal labour
- $25.0m for emergency works
- $8.3m for vegetation management
- $2.0m for Major Event Day GSLs
- $2.2m for other event costs

The costs of the bushfires can be found in Section 4 of this application.

Table 2: Materiality of cost pass through

$m, nominal	2025-26
2025-26 Annual revenue requirement (ARR) (unsmoothed)	$726.6m
2025-26 Costs associated with the January Bushfires	$40.7m

[37] VicEmergency, 9 January 2026, accessed at Bushfires could spread in catastrophic conditions update 9 January 2026 | Emergency Victoria
[38] Victorian Government, Victorian Government declares state of disaster, 10 January 2026 see attachment 5
[39] VicEmergency, 6 January 2026 *No relief from the heat as Victoria prepares for extreme fire danger*, accessed at https://emergency.vic.gov.au/news-and-media/no-relief-from-the-heat-as-victoria-prepares-for-extreme-fire-danger.
[40] Australian and New Zealand Council for fire and emergency services, 20 January 2026, accessed at National resource coordination supports Australia's summer bushfire response

Materiality of the cost pass through	5.6%

Source: AusNet, AER[41]

An increase in costs is material if the change in costs (as opposed to the revenue impact) that a DNSP has incurred, and is likely to incur, in any year of a regulatory period, as a result of the event, exceeds 1% of the annual revenue requirement (ARR) for the DNSP for that regulatory year[42].

The additional opex and capex incurred in response to the bushfires event is material as it exceeds an amount greater than 1% of the ARR established in the PTRM from the AER's revenue determination. Therefore, we have shown that we have incurred a material change in costs due to the January bushfires.

4.3. Exclusion of contingent projects and expenditure for restricted assets

A pass through event must not be a contingent project or an associated trigger event. A contingent project is a contingent project proposed by the DNSP that is approved by the AER in accordance with clause 6.6A.1(b) of the NER. A trigger event is a specific condition or event described in clause 6.6A.1(c) of the NER, the occurrence of which, during the relevant regulatory period, may result in the amendment of a distribution determination under clause 6.6A.2 of the NER.

The AER's Final Decision for our 2021-26 regulatory period did not include any contingent projects. As such, we did not propose, and the AER did not approve, a contingent project for capital expenditure of the kind required by the January Bushfires.

Clause 6.6.1(c)(c1) of the NER requires that the positive pass through amount proposed not include any expenditure for a restricted asset, unless in conjunction with a request for asset exemption. The expenditure associated with this pass through application is not related to restricted assets and, therefore, this is not applicable.

Therefore, the January Bushfires is not precluded from being a positive pass through event by virtue of the matters contained in clauses 6.6A.1(b) or 6.6.1(c)(c1) of the NER.

[41] AER - AusNet Services Distribution PTRM - 2025-26 Return on debt update (inc storm and VEBM CPT) - March 2025
[42] Definition of "materially", chapter 10 of the National Electricity Rules.

5. Our incremental costs

5.1. Overview of total costs

All inspection, reconstruction and asset replacement activities were undertaken solely to restore the network to a safe and functional condition. No systematic network upgrade or capacity augmentation was undertaken as part of the bushfire response.

The items listed below reflect considerations during the response and recovery process, only those activities necessary to restore the network to its pre-bushfire condition have been included in the costs claimed. This also extends to providing payments to customers only in line with our regulatory obligations.

Table 3 below summarises the total cost incurred in response to the January bushfires. The table provides a breakdown of the costs between the drivers of capex and opex. All expenditure was incurred in regulatory year 2025-26 with estimated costs also expected to be incurred in the remaining months of the 2025-26 regulatory year.

Table 3: Total incremental expenditure incurred as a result of the January 2026 bushfires ($m, nominal)

	Capex	Forecast Capex	Opex	Forecast Opex	Total
Internal Labour	2.3	-	1.0	-	**3.3**
Contracts – emergency works	23.3	0.5	1.2	0.0	**25.0**
Contracts – vegetation management	7.5	0.4	0.4	0.0	**8.3**
GSLs	-	-	2.0	-	**2.0**
Other[43]	1.3	-	0.9	0.0	**2.2**
Total	**34.4**	**0.9**	**5.4**	**0.0**	**40.7**

Source: AusNet

5.1.1. Capture of actual costs

Consistent with the approaches we have taken for previous natural disaster pass through applications approved by the AER, AusNet applied robust internal controls to identify and isolate incremental bushfire related costs, including the use of dedicated incident cost codes, activity-based time sheeting and contractor job classification. These controls enabled AusNet to distinguish bushfire response and restoration activities from business-as-usual emergency response and maintenance activities.

These costs have been independently reviewed by EY to ensure their accuracy and validity as part of this cost pass through application. EY has confirmed that the costs reviewed were appropriately classified and tracked for this application. Together with AusNet's use of dedicated incident cost codes, activity-based time sheeting and contractor job classification, this process enabled us to robustly identify and isolate incremental bushfire response and restoration costs from business-as-usual activities. Further information can be found in Attachment 3 of this application.

Capitalised overheads have been calculated using the AER's preferred approach of applying a 25% variable incremental overhead rate to direct costs.[44]

[43] Includes overheads, non-labour costs, backlog work and audit costs
[44] AER, Determination – Ausgrid January 2025 Storm Cost Pass Through Application, 25 February 2026, p 3.

5.2. Savings in the 2021-26 and 2026-31 regulatory period

AusNet has accounted for savings and overlaps between the response to the January Bushfire event and the current and next regulatory periods' approved allowances.

This reduction in future work as a result of our response to the January bushfires will reduce our costs during both the 2021-26 and 2026-31 regulatory period. We have adopted the same approach to quantifying these cost savings consistent with previous cost pass throughs in the current period[45]. Offset savings were calculated by identifying bushfire response activities that displaced future planned works and valuing those activities using the approved EDPR unit rates.

The approach taken on these estimated offsets is outlined below:

- **Avoided asset replacements**. Each replaced asset contributed to an offset against the pass through amount based on its proportion of the total regulated asset base for that asset class. For each asset type, AusNet calculated the percentage of assets replaced as part of the January 2026 bushfire response relative to the total number of network assets of that type. This percentage was then applied to the direct replacement costs for the relevant asset class approved in the AER's Final Decision for the 2026–31 regulatory period. The resulting amount represents the portion of replacement expenditure incurred in responding to the January bushfires that is already allowed for in AusNet's approved 2026–31 REPEX allowances and has been deducted from the pass-through amount to avoid double recovery.
- **Avoided vegetation management.** Vegetation cyclic works recommenced following the January bushfire response, with fire-related remediation resulting in the effective completion of planned future works across approximately 364 spans. These activities have offset vegetation management originally scheduled for later cycles, generating offset savings in 2025-26 and 2026-27. Savings have been valued using the average unit rates applied in the EDPR multiplied by the amount of spans, consistent with the approach adopted for previous events.

The below savings account for overlaps with AusNet's allowances for either the 2021-26 or 2026-31 regulatory period and have been netted off the total pass through expenditure related to the January 2026 Bushfires to avoid double counting.

Table 4: Estimated offset savings[46] ($m, 2026)

Estimated savings	TOTAL
Capital replacement (capex)	0.4
Vegetation management (opex)	0.2

Source: AusNet

5.3. Cost are not factored into the current or subsequent determinations

The NER[47] requires the AER to take into account whether the costs of the pass through event have already been factored into the calculation of our maximum allowed revenues (MAR) for this or the subsequent regulatory period.

The January 2026 bushfires were not anticipated at the time of our 2021-26 revenue determination and therefore the costs of this event are not included in that determination.

The AER's approach to forecasting opex is to apply the base-step-trend approach to determine the efficient level of opex required in our 2021-26 and 2026-31 regulatory periods. In determining an opex allowance for the 2021-26 regulatory period, the AER used our 2018 actual opex as the base year – a year which did not include any bushfire

[45] AusNet Services - September 2024 storm cost pass through application - December 2024
[46] Exact amounts can be found in the cost build up model
[47] NER clause 6.6.1(j)(7).

response costs, nor does the capital expenditure allowance for the current regulatory period provide for such activities as described in this application.

For the subsequent, 2026-31 regulatory period, while 2024-25 was selected as the opex base year, the September 2024 storm opex costs captured were removed by the AER when determining the total opex allowance.[48] Additionally, in deriving a total opex allowance, the AER did not apply any step changes or any other adjustments to provide for the costs of responding to extreme weather events of the nature and scale of the January 2026 bushfires. The 2026-31 opex allowances therefore contains no provision for the costs claimed in this application.

The approved capital expenditure allowance for the 2026-31 regulatory period likewise does not provide for the capital works activities and costs described in this application, save that AusNet has applied an offset to its eligible pass through amount to account for avoided replacement costs as discussed above.

The proactive resilience investment approved as part of the 2026-31 determination does not alter this conclusion. That investment is forward-looking expenditure which, once delivered in the 2026-31 period, is aimed at *reducing* the likelihood and impact of future extreme weather events on AusNet's network. It does not fund, and was never intended to fund, the reactive emergency response and network restoration costs that arise during and following a catastrophic bushfire event in the current regulatory period.

For these reasons the costs of this pass through event are not factored into AusNet's current or 2026-31 revenue requirements, and so clause 6.6.1(j)(7) is satisfied.

[48] AER - Attachment 3 – Operating expenditure | Final decision – AusNet Services distribution determination 2026–31, p17.

6. Our proposed positive pass through amount

6.1. Eligible pass through amount

Clause 6.6.1(c)(3) of the NER requires us to specify the eligible pass through amount that we propose in relation to the positive change event being the increase in costs in the provision of direct control services that, as a result of the positive change event, have incurred and likely to be incurred.

We have calculated the eligible pass through amount of $16.4 million ($nominal, unsmoothed) based on the total incremental costs (capex and opex). These opex and capex amounts, and the year in which these costs have been incurred or are expected to be incurred all within 2025-26 are set out in section 5.1. These actual and forecast incremental costs have been inputted into our 2026-31 Final Decision PTRM to derive the eligible pass through amount provided as Attachment 2[49] in this application. Table 6 below shows the build up of the eligible pass through amount by each building block category.

Table 5: Building block costs for Eligible pass through amount ($m, nominal, unsmoothed)

$m	2026-27	2027-28	2028-29	2029-30	2030-31	TOTAL
Return on capital	2.3	2.3	2.3	2.4	2.4	**11.7**
Return of capital	-0.2	-0.2	-0.2	-0.2	-0.1	**-0.9**
Operating expenditure	5.6	-0.1	0.0	0.0	0.0	**5.5**
Revenue adjustments	-	-	-	-	-	**-**
Tax	-	-	-	-	-	**-**
Building block revenue	**7.7**	**2.0**	**2.2**	**2.2**	**2.3**	**16.4**

Source: AusNet

6.2. Costs as a consequence of the positive change event

Clause 6.6.1(c)(6)(ii) of the NER requires us to provide evidence that the actual and likely increase in costs included in the eligible pass through amount occurred solely as a consequence of the positive change event. Similarly, clause 6.6.1(j)(5) of the NER requires the AER, in determining the approved pass through amount and the amount to be passed through to users in each regulatory year, to take into account the need to ensure the DNSP only recovers any actual or likely increment in costs that are incurred solely as a consequence of the positive change event.

In calculating the eligible pass through amount, we have included only the incremental costs for those activities that were incurred solely as a result of the positive change event.

As discussed in section 5, we have only included incremental costs in our application.

[49] This PTRM is based on the approved version of our PTRM model as part of the 2026-31 EDPR Final Decision.

6.3. Pass through amount in each regulatory year

Clause 6.6.1(c)(4) of the NER requires AusNet to specify the positive pass through amount that it proposes in relation to the January 2026 bushfire positive change event. The positive pass through amount is defined as an amount not exceeding the eligible pass through amount. We propose to pass through an amount of $16.1 million (nominal). This amount is equal to the revenue impact of the eligible pass through amount specified in section 6.1. AusNet has calculated this amount as the change in required revenues for the 2026-31 regulatory control period as a result of the positive change event.

Clause 6.6.1 (c)(5) of the NER requires that we specify the amount that we propose to pass through to customers in the year, and each regulatory year after that, in which the positive change event occurred. We propose to recover the full amount in 2027-28, which is the earliest possible recovery timeline given the timing of our annual pricing process. Our analysis shows this will not result in volatile customer prices because the revenue impact will have an approximate 1% impact on the average revenue per customer in that regulatory year.

Early recovery also better manages the risk that subsequent cost pass through events, should they occur, become stacked on top of the cost recovery for this event in later years, creating more price volatility.

Table 6: Eligible pass through amount, smoothed revenue impact ($m, nominal)

$m	2026-27	2027-28	2028-29	2029-30	2030-31	TOTAL
AER 2026-31 Determination	874.6	910.4	947.6	986.3	1,026.7	4,745.7
Impact of Jan 2026 bushfires	-	16.1	-	-	-	16.1
Updated Revenue	874.6	926.5	947.6	986.3	1,026.7	4,761.8

7. Why our costs are prudent and efficient

Clause 6.6.1(j)(3) of the NER requires the AER, in determining the approved pass through amount and the amount to be passed through to users in each regulatory year, to take into account the efficiency of our decisions and actions in relation to the risk of the positive change event. This includes whether our actions minimised the magnitude of the eligible pass through amount.

AusNet has responded efficiently, prudently, and in a manner consistent with the long-term interests of customers. The costs included in this application represent only those incremental costs necessary to restore supply and meet regulatory obligations.

As explained in sections 3 and 4, the January Bushfires were a severe and unexpected event that caused significant and widespread damage to our network and, consequently, loss of supply to our customers. We consider there were no material actions that could have been taken to minimise the pass through amount, given the nature of the event, its scale and the stage we, and other networks, are at in investing in proactive resilience-driven investment programs to address increasing climate change risk.

In particular, our current regulatory period expenditure allowances do not include funding for proactive resilience investment or to uplift operational capabilities to mitigate the effects of extreme weather events. We have trialled resilience-driven investments in the current regulatory period, such as 17 Standalone Power Systems (SAPS), which has allowed us to learn about customer experience and acceptance of SAPS and their performance including during extreme events. As discussed further below, now that the regulatory framework for DNSP-owned SAPS is in place in Victoria, we plan to install more SAPs in the next regulatory period in line with our regulatory allowances and obligations.

Recognising that network resilience has become an increasingly important network characteristic in the face of climate change, proactive investment to uplift network resilience was a major theme of our Initial and Revised Regulatory Proposals for the 2026-31 regulatory period. This is consistent with the findings of the comprehensive customer research and engagement we undertook between 2023 and 2025 to inform our expenditure plans.

Accordingly, our Revised Proposal included $166.2 million of resilience capex, including:

- $154 million for network hardening, including reclosers, covered conductors, pole replacements (replacing timber poles with concrete or more fire-resistant pole types) and pole wraps.
- $12 million for community resilience including Standalone Power Systems (SAPS), mobile generation and emergency response vehicles.

In its final decision, the AER approved the following resilience funding:

- $65 million for network hardening.
- $12 million for community resilience, including $7m for SAPS, $3.5 million for mobile generation and $1.1 for emergency response vehicles.

We intend to deliver the approved resilience projects and programs during the 2026-31 regulatory period in line with new Network Resilience Plan obligations expected to come into effect from 1 July 2026. Further information on these new arrangements can be found here[50]. We expect that the effects of the proactive resilience investment outlined above will be felt during the 2026-31 period and beyond. However, there remains uncertainty around the location, nature and severity of future extreme weather events that may impact our network and, therefore, the ability of these investments to mitigate the effects of extreme weather on different parts of our network.

From an operational perspective, AusNet minimised the magnitude of the eligible pass through amount by undertaking a range of activities, including:

- activating existing surge, mutual-aid and framework contractor arrangements rather than standing up new providers;
- prioritising restoration to customers and communities with the highest impact before progressing to full rebuilds;
- deploying temporary generation where this reduced total restoration cost compared to accelerated reconstruction; and
- ensuring our response activities and customer support align with the relevant regulatory obligations and minimum service standards applying to us.

[50] Victorian Parliament, Energy and Other Legislation Amendment (Resilience Reforms and Other Matters) Bill 2026

In addition, to moderate the eligible pass through amount, in preparing this application we have:

- excluded costs associated with other bushfires falling outside of the State of Disaster period, including the Woods Point bushfire occurring on 20 February.
- removed avoided costs and overlaps with expenditure allowances approved for the current and 2026-31 regulatory period.

7.1.1. Governance procedures and practices for emergency response

We have established, well documented and proven strategies and plans to be able to reasonably prepare for and respond to incidents of varying causes and scales that may impact the network and our customers. These strategies include the establishment of an Emergency Management Team that coordinate IMT and CMT readiness and response, training and exercising and development of plans and arrangements. Using a risk-based and consequence orientated approach, the AusNet IMT and CMT was able to maintain a customer focus, obtain near real-time information and data to make informed decisions, also ensuring that key stakeholders including the Victorian Government and community were kept appraised of the situation.

Following a review and update of SPIRACS in May 2025, Zinfra was embedded as a key element of the AusNet IMT structure.

Our incident response processes also allow us to establish hubs of additional community support capability to facilitate efficient response according to the circumstances.

AusNet coordinated with Zinfra to mobilise additional surge capacity by leveraging other delivery partner networks. This included redeploying resources from across the business, particularly the East and Central regions, while Zinfra activated supplementary support through its Jemena network.

Resources were optimally deployed by integrating out-of-town personnel with local crews, creating a balanced and effective mix of regional and external capability. In parallel, field and planning functions across the business were closely engaged to ensure the increased workload was clearly scoped, prioritised, and efficiently scheduled.

This coordinated planning approach enabled timely and targeted deployment of surge resources, ensuring alignment between delivery capacity and operational demand. Civil subcontractors were also strategically engaged and tightly coordinated alongside line crews, supporting seamless execution and maximising productivity across all work fronts.

Collectively, this integrated response enabled the efficient distribution of expertise, strengthened knowledge sharing between teams, and materially enhanced overall responsiveness to the event.

7.1.2. Efficiencies implemented following Post Incident Reviews (PIR)

We routinely conduct PIRs of our operational responses to major events. Following major storms in June and October 2021 and February and September 2024, we implemented significant improvements to our operational response, including:

- our response preparedness, including changes to how different incidents are classified and updated triggers to escalation of events
- the introduction of a weather analytics tool, which allows us to mobilise additional resources prior to an event, to increase the speed of respond
- a substantive uplift in training and resource capability, to allow for higher levels of surge capacity during large events.

In addition, as a result of the February 2024 storm and the subsequent NOUS Post-Incident Review, we have implemented a focused set of operational changes to strengthen command, coordination and delivery during major events and improve the efficiency and effectiveness of our response to these events, including:

- refreshed IMT and CMT structures and clarified escalation, accountability and decision-making arrangements to improve leadership and control during prolonged and complex events
- strengthened regional delivery and resource coordination models to improve visibility, prioritisation and deployment of field crews across affected areas
- enhanced situational awareness through faster and more diversified damage assessment processes, supported by upgraded systems and real-time outage visibility tools
- improved resilience of operational communications, including fallback arrangements to ensure field crews and control centres can continue to operate during telecommunications outages
- expanded surge capacity across planning, logistics, customer communications and community support functions to sustain performance over multi-day events

- strengthened coordination with local governments and emergency management partners through re-established REMLO capability and consistent engagement at the Regional and Municipal Emergency Management tiers
- streamlined customer communication and support processes, including clearer ETR guidance, improved outage information channels, enhanced data quality arrangements with retailers, and more efficient delivery assistance with Prolonged Power Outage Payments

The impact of these actions on the efficiency of our response, and therefore any impact on our costs, is reflected in the actual costs we are seeking to pass through by reducing mobilisation inefficiencies and avoiding the need for additional surge resources and accelerated rebuild costs.

We have taken all appropriate steps to minimise the magnitude of the pass through amount and that the proposed cost pass through reflects the prudent and efficient costs associated with responding to the January bushfires.

7.1.3. Insurance considerations

In accepting a 'natural disaster event' as a nominated pass through event in our distribution determination for the 2021-26 regulatory period, the AER's Final Decision noted that:

> In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:
>
> (i) whether AusNet Services has insurance against the event; and
>
> (ii) the level of insurance that an efficient and prudent NSP would obtain in respect of the event .

Our insurance arrangements have not changed since prior natural disaster events. We do not hold insurance cover for damage caused to the 'poles and wires' of the network by a natural disaster. The cost of holding this insurance is assessed when we routinely review our insurance needs and renegotiate insurance arrangements.

Through these reviews and by keeping abreast of trends in insurability, we can confirm that insurance cover for poles and wires is not an efficient approach to managing the risk of damage to, or loss of, these assets. There are several contributing reasons:

- the insurance cap available is extremely low in comparison to the value of the assets and the value that may be impacted by one natural disaster event. The value (merit) is incomparable to the value of insuring assets located within our network;
- the premium for including this risk is a significant proportion of the payout cap, as is the deductible; and
- if a claim was made under such cover, it is expected that the premium would increase significantly. This reflects the insurer's assessment of the likelihood of this risk being realised.

Insurance cover for the poles and wires is not readily available at economic rates. This was previously confirmed by our insurance broker, who confirmed that none of its utility clients within Australia hold this form of cover. The broker explained that underwriters attempting to write this form of cover experience difficulty reinsuring the risk, as reinsurers do not have appetite for this type of risk. It is understood that absent reinsurance, the underwriters' concern stems from loss scenarios due to catastrophic weather events (fire, storm and cyclone), which may result in large insurance pay-outs. Thus, the few underwriters who have previously quoted this form of cover provide small aggregate limits with prohibitively expensive premiums.

Other DNSPs face similar whole of network insurance considerations, even though the nature of the local environment for some networks will differ.

8. Compliance checklist

This attachment provides information on the compliance of AusNet's pass through application with the NER pass through provisions (as set out in Cl 6.6.1), and to the location of the relevant information in our application.

NER Clause	Requirement	Information provided	Section of application
6.6.1 (c)	A DNSP must submit a written statement within 90 business days of the relevant positive change event occurring	This application was submitted before the 18th of May 2026, being within 90 business days of the event occurring. We selected the date of 7 January 2026 as the date of the positive change event occurring reflecting the date upon which AusNet's operational response to the bushfire emergency first escalated beyond routine preparedness activities. This reflects the date that on which dire ignitions in the Longwood and Walwa regions, combined with rapidly deteriorating weather and network conditions, gave rise to incremental costs beyond AusNet's revenue allowances.	2.1
6.6.1(c)(1)	The statement must specify: • The details of the positive change event	The details of the positive change event, being the nature and impact on AusNet, is set out in the application	4.1
6.6.1(c)(2)	• The date on which the positive change event occurred	As referenced above (see row 6.6.1 (c)) this date and its rationale is provided	2.2
6.6.1(c)(3)	• The eligible pass through amount, being the increase costs in the provision of direct control services as a result of the positive change event	The application provides detail on the sources of cost increases and the cost attributed for each, which constitutes the eligible pass through amount	6.1
6.6.1(c)(4)	• The positive pass through amount proposed	The application proposes a positive pass through amount	6.3
6.6.1(c)(5)	• The amount proposed to be passed through in the regulatory year in which the event occurred in subsequent regulatory years	We have proposed a recovery profile of $16.1m ($nominal, smoothed) in regulatory year 2027-28.	6.3
6.6.1(c)(6)(i)	Evidence of: • the actual and likely increases	Provided in build-up of costs model and summarised in the application	Section 5 and supporting attachments
6.6.1(c)(6)(ii)	• that the costs occur solely as a consequence of the positive change event	The application describes the data sources and processes to determine the costs solely occurring as a consequence of the positive change event	3.2
6.6.1(c)(6)(iii)	• relates to the circumstances where the cause of costs is a retailer insolvency event	Not applicable. Noted in the application	2.1

6.6.1(c)(7)	• other information as required under any relevant regulatory instrument	Not applicable. Noted in the application	2.1
(6) (c1)	• relates to the pass through amount including expenditure for a restricted asset	AusNet has explored this, as noted in the application.	4.3

AusNet

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