



Cost pass through
application

Emergency Backstop Mechanism

30 June 2026

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Contents

1	Executive summary	3
2	About us and the need for this application	5
2.1	About us	5
2.2	Need for this application	5
2.3	Interpretation.....	7
3	Regulatory framework	9
4	Costs associated with the imposition of the Varied Licence Conditions	10
4.1	Costs from Imposition of the Varied Licence Conditions.....	10
4.2	Assessment of actual and future costs	17
4.3	Revenue impacts from costs associated with Varied Licence Conditions.....	18
4.4	Bill impacts	19
5	Key criteria to be established	20
5.1	Imposition of the Varied Licence Conditions is a pass through event.....	20
5.2	Imposition of the Varied Licence Conditions is a positive change event.....	21
5.3	The eligible and positive pass through amount and amount passed on to consumers	21
6	Factors to consider in determining if a positive change event has occurred	22
6.1	Matters in written statement.....	22
6.2	Increase in costs that has been incurred	22
6.3	Efficiency of our actions related to the Varied Licence Conditions.....	23
6.4	Time cost of money	27
6.5	Recovery of incremental costs solely from the pass through event	27
6.6	Cost of the pass through event factored into annual revenue requirement.....	27
6.7	Extent of costs being subject to a previous determination	27
6.8	National Electricity Objective	27
6.9	Revenue and pricing principles.....	28
7	Compliance checklist and assessment criteria checklist	30
8	List of attachments	33

1 Executive summary

This is an application under clause 6.6.1(a) of the National Electricity Rules (**NER**), which seeks approval from the Australian Energy Regulator (**AER**) to pass through the additional costs that Ausgrid has, and will, incur as a result of variations to our distribution network service provider (**DNSP**) licence conditions made on 10 December 2025 and further amended on 19 June 2026 (**Varied Licence Conditions**).

The Varied Licence Conditions enable Ausgrid to support the NSW Government's delivery of three key programs:

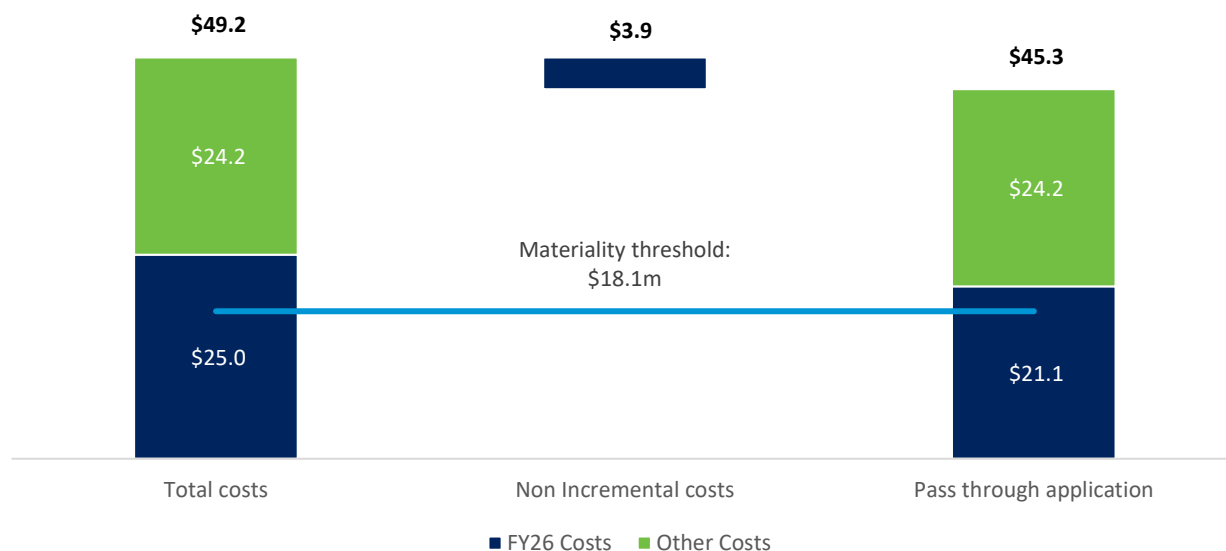
- the Emergency Backstop Mechanism;
- the Consumer Energy Resources (**CER**) Installer Portal; and
- the roll out of flexible export limits.

To comply with the Varied Licence Conditions, Ausgrid expects to incur \$49.2 million (real FY26) of additional total expenditure within this regulatory period. In developing this application, Ausgrid has taken a conservative approach that aligns with the AER's recent pass through decisions, excluding \$3.9 million of internal labour costs that are not incremental. This results in a proposed eligible pass through amount of \$45.3 million.

Our expenditure model identifies the build-up of costs associated with complying with the Varied Licence Conditions (**Attachment 4**). The basis for each amount referred to in this application is summarised on the 'Output_Application' sheet of the model.

Figure 1 highlights that a substantial proportion of these costs are incurred in FY26 and exceed the NER materiality threshold of \$18.1 million, which is equivalent to 1 per cent of Ausgrid's annual building block revenue requirement.

Figure 1: Proposed eligible pass through amount (\$m, real, FY26)



Our proposal seeks to recover costs that were not anticipated or included in the AER's revenue determination for Ausgrid's 2024-29 regulatory period. Approval of this application will therefore provide Ausgrid with an opportunity to recover the efficient costs needed to maintain a safe, reliable, and secure distribution network for our customers, while enabling the delivery of flexible exports in line with the obligations under the Varied Licence Conditions, which support the NSW Government's policy objectives.

In developing and implementing the required capabilities, Ausgrid has undertaken targeted stakeholder engagement. This has included regular engagement with an Industry Reference Group (on a 'consult' basis

under the IAP2 spectrum),¹ comprised of solar installer industry representatives, and Ausgrid's Customer Consultative Committee (CCC) (on an 'inform' basis). Ausgrid has also engaged with the Australian Energy Market Operator (AEMO), Transgrid, Evoenergy and Original Equipment Manufacturers (OEM). Much of Ausgrid's engagement has been done in collaboration with the other NSW DNSPs (Endeavour Energy and Essential Energy) and the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) to prioritise harmonisation, as requested by the NSW Government.²

Preparing for Minimum System Load events

Consumers are continuing to invest in rooftop solar, enabling them to save money from using solar energy and helping our electricity system transition to net zero. However, the rapid uptake of rooftop solar by households and businesses means we have an abundance of renewable energy in the middle of the day, when solar energy is at its peak. If not managed properly, this can create an imbalance between generation and demand that puts pressure on electricity system stability, which may lead to power outages.

In August 2024, AEMO wrote to Ausgrid regarding an urgent need to implement emergency backstop curtailment capabilities and that, to maintain system security, DNSPs should commence work on implementing operationally effective backstop measures immediately, and as a priority (**Attachment 8**).³ In response to this direction, DCCEEW designed and introduced the NSW Emergency Backstop Mechanism to be achieved through the Varied Licence Conditions.

The Varied Licence Conditions require Ausgrid to:

1. maintain and operate a utility server compliant with the Common Smart Inverter Profile Australia (CSIP-AUS) from the launch date of the CER Installer Portal (**Launch Date**);
2. 180 days following the Launch Date, be capable of using these technologies to remotely interrupt or curtail solar exports and generation of all new, or altered, solar generating systems;⁴ and
3. by 30 June 2026, maintain control over a sufficient level of additional operational demand capacity to respond to a minimum system load (MSL) event.⁵

Despite the urgent need for these capabilities, the commencement dates for these regulatory obligations have been set specifically to allow sufficient time for industry training and education and the development of necessary systems, such as the DCCEEW-led CER Installer Portal.

While the Emergency Backstop Mechanism will only be activated as a last resort, at the direction of AEMO, developing the internal technical and process capabilities required represents a significant change and investment for Ausgrid. It also affects NSW consumers, solar installers, solar retailers, OEMs, Transgrid and AEMO.

Supporting the delivery of the NSW Consumer Energy Strategy

At the same time as the Emergency Backstop Mechanism, the NSW Government has required Ausgrid and the other NSW DNSPs to invest in capabilities that support delivery of two actions under the 2024 NSW Consumer Energy Strategy.⁶ Specifically, the Varied Licence Conditions require Ausgrid, from the Launch Date, to begin offering flexible export limits,⁷ and to have developed internal connective systems that can

¹ International Association of Public Participation, '[Core Values, Ethics, Spectrum – The 3 Pillars of Public Participation](#)'.

² NSW DCCEEW, NSW Emergency Backstop Mechanism and Consumer Energy Resources Installer Portal (Consultation Paper), (February 2025), p 20.

³ AEMO, 'Management of Minimum System Load (MSL) conditions' (20 January 2026), p1 (Attachment 8).

⁴ NSW DCCEEW, 'Instrument of variation of conditions of distributor's licence under the *Electricity Supply Act 1995* (NSW)' (19 June 2026) (Attachment 2), schedule A, appendix C, condition C.1.3 (**Varied Licence Conditions**).

⁵ Varied Licence Conditions, schedule A, condition 7(a); appendix C, condition C.4.1.

⁶ NSW 'Government, Consumer Energy Strategy' (September 2024), Actions 34 and 37.

⁷ Varied Licence Conditions, schedule A, appendix C, condition C.5.1.

integrate with the CER Installer Portal.⁸ The rationale for flexible export limits and the CER Installer Portal is as follows:

- **Flexible export limits:** As more solar energy connects into the NSW network, some DNSPs have had to apply a low, fixed export limit to their solar customers to address network constraints. To help customers maximise the amount of energy they can safely export back into the grid, the NSW Government has committed to introducing flexible export limits. Flexible export limits leverage some of the same technologies being developed for the Emergency Backstop Mechanism, and are an additional, lower-impact tool DNSPs can use to manage grid stability and reliability.
- **CER Installer Portal:** The NSW Government is focused on ensuring CER, such as rooftop solar, are being installed in a way that upholds consumer and worker safety. The CER Installer Portal is a digital tool that seeks to improve industry compliance by making it easier for installers to register rooftop solar systems and check that installations meet safety and technical standards. It will also enable installers to more easily meet their requirements relating to the Emergency Backstop Mechanism.

While these capabilities are related and will ultimately support the roll out of the Emergency Backstop Mechanism, they both, individually, represent significant changes for Ausgrid and NSW consumers, solar installers, solar retailers and OEMs.

2 About us and the need for this application

2.1 About us

Ausgrid owns and operates the network of substations, powerlines, underground cables and power poles that delivers power to communities in large parts of Greater Sydney, the Central Coast and the Hunter Valley. We build, operate and maintain this distribution network with a focus on providing a safe, reliable and efficient energy supply to over 4 million Australians. Our vision is simple; for our communities to have the power in a resilient, affordable and sustainable future.

2.2 Need for this application

2.2.1 The Varied Licence Conditions

NER clause 6.6.1(c)(1)

On 10 December 2025, the Minister for Energy varied the licence conditions for NSW DNSPs (**Attachment 1**). Ausgrid's licence conditions were further amended on 19 June 2026 to accommodate for, among other things, delays in the creation of the CER Installer Portal (**Attachment 2**). As a result, Ausgrid is required to take certain actions and have certain capabilities to give effect to the Emergency Backstop Mechanism, the CER Installer Portal and to enable flexible exports.

The Varied Licence Conditions require Ausgrid to comply with the Emergency Backstop Mechanism and flexible export conditions set out in Appendix C of the Varied Licence Conditions.⁹ A summary of the categories within this appendix is set out below:

a. **Solar curtailment:** Ausgrid is required to:

1. from the Launch Date, only approve a connection of a new, or alteration an existing, solar generating system if certain criteria are met, including that systems of 200kW or less will be able to communicate with Ausgrid's utility server via a CSIP-AUS compliant communication channel and systems of 200kW or more are, at the time of establishment or alteration of the connection, able to communicate with Ausgrid's system for the purpose of remotely interrupting or curtailing solar exports and generation;¹⁰
2. from the Launch Date, maintain and operate a CSIP-AUS compliant utility server to interrupt or curtail solar export and generation from solar generating systems of 200kW or less;¹¹

⁸ Varied Licence Conditions, schedule A, appendix D, D.1.1.

⁹ Varied Licence Conditions, schedule A, condition 7.

¹⁰ Varied Licence Conditions, schedule A, appendix C, C.1.1, C.1.5-6, C.1.8.

¹¹ Varied Licence Conditions, schedule A, condition 7, appendix C, C.1.7.

3. from 90 days after the Launch Date, only approve a connection of a new, or alteration an existing, solar generating system if, at the time of establishment or alteration of the connection, Ausgrid is capable of remotely interrupting or curtailing solar export and generation from the system;¹² and
4. from 180 days after the Launch Date, be capable of remotely interrupting or curtailing solar exports and generation for all new or upgraded solar generating systems.¹³
- b. **Connection agreements:** from the Launch Date, Ausgrid is required to include terms in its agreement for new and upgraded solar generating systems that:
 1. Ausgrid may remotely interrupt or curtail solar exports and/or generation in certain circumstances, such as in response to a MSL event;¹⁴
 2. allow Ausgrid to implement a static export limit in certain circumstances, such as if the solar generating system ceases to be able to communicate with Ausgrid's utility server;¹⁵ and
 3. allow Ausgrid to dynamically increase and/or decrease the export limit of the system if the customer has opted into a flexible export limit arrangement.¹⁶
- c. **Notification of customers:** from 30 June 2026,¹⁷ Ausgrid is required to:
 1. notify affected customers prior to testing Ausgrid's capability to remotely interrupt or curtail solar exports and generation if testing is anticipated to result in more than an hour of solar and/or generation curtailment;¹⁸
 2. notify affected customers after solar export and/or generation has been curtailed following a MSL event or appropriate direction for more than two hours;¹⁹ and
 3. promptly publish information on its website after the commencement of an event, including its nature and curtailment, where curtailment is in response to a MSL event or appropriate direction.²⁰
- d. **Measures to deliver additional operational demand:** from 30 June 2026,²¹ Ausgrid is required to:
 1. develop and maintain control over a level of additional operational demand capacity sufficient to deliver the forecast level of response that Ausgrid is required to provide as directed by AEMO in a MSL event;²² and
 2. annually consult with AEMO to agree on the additional operational demand capacity that is sufficient.²³
- e. **Flexible export limit capabilities:** From the Launch Date, Ausgrid is required to implement and maintain the technical capability to offer flexible export limits to new and upgraded solar generating systems that are up to 200kW.²⁴
- f. **Conformance monitoring:** Ausgrid is required to:
 1. from 30 June 2026,²⁵

¹² Varied Licence Conditions, schedule A, appendix C, C.1.2, C.1.4-6, C.1.8.

¹³ Varied Licence Conditions, schedule A, appendix C, C.1.3-6, C.1.8.

¹⁴ Varied Licence Conditions, schedule A, appendix C, C.2.1, C.1.6.

¹⁵ Varied Licence Conditions, schedule A, appendix C, C.2.2.

¹⁶ Varied Licence Conditions, schedule A, appendix C, C.2.3.

¹⁷ Varied Licence Conditions, schedule A, condition 7(a).

¹⁸ Varied Licence Conditions, schedule A, appendix C, C.3.1, C.3.4.

¹⁹ Varied Licence Conditions, schedule A, appendix C, C.1.8(a), (b), C.3.2, C.3.4.

²⁰ Varied Licence Conditions, schedule A, appendix C, C.1.8(a), (b), C.3.3.

²¹ Varied Licence Conditions, schedule A, condition 7(a).

²² Varied Licence Conditions, schedule A, appendix C, C.4.1.

²³ Varied Licence Conditions, schedule A, appendix C, C.4.2.

²⁴ Varied Licence Conditions, schedule A, appendix C, C.5.1.

²⁵ Varied Licence Conditions, schedule A, condition 7(a).

- i. prepare procedures on how Ausgrid will test its ability to remotely interrupt or curtail solar exports and generation from solar generating systems;²⁶
 - ii. undertake between one and four of the above tests per year;²⁷
 - iii. use reasonable endeavours to contact customers whose applicable solar generating system stops being connected to Ausgrid's utility server for longer than seven days;²⁸
 - iv. impose a static export limit if an applicable solar generating system stops being connected to Ausgrid's utility server;²⁹ and
2. from 2027, report annually, and when requested, on new and upgraded solar generation systems authorised for connection.³⁰
- g. **Solar curtailment performance report:** From 30 June 2026,³¹ Ausgrid is required to report on the performance and effectiveness of its capabilities to remotely interrupt or curtail electricity exports and generation from a relevant solar system within 10 business days of the end of each interruption or curtailment following a MSL event or appropriate direction.³²

The Varied Licence Conditions also require Ausgrid to comply with the CER Installer Portal conditions set out in Appendix D of the Varied Licence Conditions.³³ These require Ausgrid to develop connective systems that can integrate with the CER Installer Portal.³⁴ Following the Launch Date, Ausgrid is required to integrate with the CER Installer Portal, maintain this integration and provide information related to the connection and installation of CER to several parties, including AEMO and DCCEE.³⁵

2.2.2 Why our application is consistent with NER requirements

NER clauses 6.6.1(a), (c) and (c)(2)

The imposition of the Varied Licence Conditions results in Ausgrid incurring substantial costs. An avenue for recovering these costs is through a cost pass through application submitted in accordance with clause 6.6.1 of the NER. If the requisite criteria are satisfied, a DNSP can seek the AER's approval to pass through the costs of an event to their customers.³⁶

This application, including this document and its attachments, is our written statement to the AER pursuant to clause 6.6.1(c) of the NER to recover a positive pass through amount of \$45.3 million (real FY26). Our application includes the requisite information, which is summarised in Table 7.1.

This application would ordinarily be required to be submitted to the AER on or before 23 April 2026, being within 90 business days of the relevant positive change event (i.e. the making of the Varied Licence Conditions on 10 December 2025). However, the AER granted an extension such that Ausgrid could submit the application up to 30 June 2026 (**Attachment 9**).³⁷ This application was submitted to the AER within this timeframe.

2.3 Interpretation

In this application, unless otherwise specified:

- a. historical and forecast expenditure is presented in real FY26 dollars;

²⁶ Varied Licence Conditions, schedule A, appendix C, C.1.8(c), C.6.1-2.

²⁷ Varied Licence Conditions, schedule A, appendix C, C.6.2, C.6.3.

²⁸ Varied Licence Conditions, schedule A, appendix C, C.6.4.

²⁹ Varied Licence Conditions, schedule A, appendix C, C.6.5.

³⁰ Varied Licence Conditions, schedule A, appendix C, C.6.6-8.

³¹ Varied Licence Conditions, schedule A, condition 7(a).

³² Varied Licence Conditions, schedule A, appendix C, C.7.

³³ Varied Licence Conditions, schedule A, condition 8.

³⁴ Varied Licence Conditions, schedule A, appendix D, condition D.1.

³⁵ Varied Licence Conditions, schedule A, appendix D, condition D.1, D.2.3.

³⁶ NER, cl 6.6.1(a).

³⁷ Ausgrid - Attachment 9 - Emergency backstop cost pass through application - Letter from the AER re extension - March 2026 (Attachment 9).

- b. all dollars up to and including 30 April 2026 are actuals and from 1 May 2026 onwards are forecasts;
- a. our revenue building-blocks from the post tax revenue model (**PTRM**) are presented in end-year (to 30 June) nominal dollars; and
- b. the allocation of costs to services is in accordance with our AER-approved Cost Allocation Methodology (**CAM**).

3 Regulatory framework

Chapter 6.6.1 of the NER sets out the relevant requirements and obligations relating to adjustments to a distribution determination that can be made because a 'pass through event' has occurred.

If a pass through event has occurred and results in materially higher costs incurred in providing direct control services (a 'positive change event'), a DNSP can seek the AER's approval to pass on costs associated with the event to their customers.³⁸

To seek the AER's approval to pass through the increase in costs in the provision of direct control services that have arisen from a positive change event,³⁹ clause 6.6.1(c) of the NER requires that a DNSP submit a 'written statement' which contains certain information specified in the clause within 90 business days of the event occurring.⁴⁰

If the AER finds that a positive change event has occurred, it must determine:

- a. the approved pass through amount; and
- b. the amount of the approved pass through amount that should be passed through to Ausgrid's customers in the regulatory year, and each regulatory year after that, in which the positive change event occurred.⁴¹

In making this decision, the AER must take into account the factors listed in clause 6.6.1(j) of the NER.⁴² These factors are discussed in this application and summarised in Table 6.2.

In addition, the National Electricity Law (**NEL**) requires the AER, in exercising its economic regulatory functions and powers, to do so in a manner that will or is likely to contribute to the achievement of the National Electricity Objective (**NEO**).⁴³ This is discussed further in section 6.8 of this application.

The NEL also specifies the revenue and pricing principles to be considered by the AER.⁴⁴ These principles include the requirement that regulated network service providers, like Ausgrid, should be provided with a reasonable opportunity to recover at least the efficient costs that they incur in providing direct control services and complying with a regulatory obligation.⁴⁵ This is discussed further in section 6.9 of this application.

³⁸ NER cl 6.6.1(a).

³⁹ NER, Glossary.

⁴⁰ NER cl 6.6.1(c).

⁴¹ NER cl 6.6.1(d).

⁴² NER cl 6.6.1(d).

⁴³ NEL, s 16(1)(a).

⁴⁴ NEL, s 7A(2).

⁴⁵ NEL, s 7A(2).

4 Costs associated with the imposition of the Varied Licence Conditions

NER clauses 6.6.1(c)(i), (ii) and (iii)

4.1 Costs from Imposition of the Varied Licence Conditions

4.1.1 Costings approach

Ausgrid has adopted a disciplined, bottom-up approach to estimating incremental costs associated with complying with the Varied Licence Conditions. The objective is to ensure all costs included in this application are necessary, efficient and directly attributable to the regulatory change event.

Additionally, the findings in AEMO's 'learnings from industry implementation of emergency backstop mechanisms for distributed resources' report (**Lessons Learned Report**) informed Ausgrid's assessment of the required scope, timing and cost of implementation of actions to comply with the Varied Licence Conditions.⁴⁶ The report reinforced the urgency and complexity of implementing emergency backstop capabilities, drawing on implementation experiences across multiple jurisdictions to identify material operational, governance and scalability challenges that must be addressed to achieve system security outcomes. The report emphasised the need for at-scale testing, robust OEM and installer engagement, scalable system design, and clearly defined governance arrangements. Ausgrid has incorporated these learnings into our delivery approach, including in relation to our testing strategy, stakeholder engagement model, and system architecture design, to ensure an efficient and prudent implementation.

Ausgrid has also undertaken extensive engagement with NSW DNSPs, DCCEEW, AEMO and OEMs throughout the development of our emergency backstop capability. These engagements have informed key design decisions relating to system architecture, operational processes, customer and installer engagement, governance arrangements and testing methodologies.

In particular, Ausgrid has worked closely with DCCEEW and other NSW DNSPs on the development of foundational design concepts and implementation approaches. This has enabled Ausgrid to leverage existing industry knowledge, challenge proposed solutions and incorporate lessons learned from comparable initiatives, rather than developing approaches in isolation.

Ausgrid has also continued to monitor developments in other jurisdictions and draw upon implementation experience from organisations that have already established emergency backstop capabilities. This has provided valuable insights into operational requirements, technology integration challenges, scalability considerations and governance frameworks, helping to ensure that implementation activities are targeted towards proven and practical solutions.

Consistent with the approach outlined above, Ausgrid has sought to adopt fit-for-purpose solutions wherever possible and avoid unnecessary complexity. The resulting costs and forecast expenditure reflect an implementation approach that has been informed by stakeholder engagement, industry experience and practical delivery considerations.

What we have included and excluded

Costs have been developed by mapping each new or amended obligation to the minimum set of system, process and resourcing changes required to achieve compliance.

For each obligation, we have:

1. identified the gap between current capability and required compliance;
2. defined the target operating model (manual and automated where relevant);
3. translated this into specific delivery activities (systems, processes, resourcing); and
4. assigned resources and timelines to each activity.

Only costs that are incremental to existing programs and allowances have been included. This has led to the exclusion of \$3.9 million in costs from this application.

⁴⁶ AEMO, '[Learnings from industry implementation of emergency backstop mechanisms for distributed resources](#)' (Q2 2025).

How costs were built

Costs have been developed through Ausgrid's established delivery governance processes, which apply consistent scoping, costing and approval disciplines to support prudent and efficient cost outcomes.

Key elements of the approach include:

1. **Labour inputs:** based on actual resource costs (internal and external) and the time required to deliver each activity, informed by detailed delivery planning and role definitions.
2. **Vendor costs:** derived from formal quotes, statements of work, and existing contractual arrangements, providing cost certainty.
3. **Delivery timelines:** aligned to regulatory compliance dates and key system dependencies, ensuring costs reflect realistic sequencing and implementation constraints.

These inputs have been subject to Ausgrid's internal governance and review processes to test the reasonableness of project scope, resource requirements, delivery assumptions and overall costs.

A detailed breakdown of actual and forecast costs is provided in the accompanying expenditure model submitted with this application (**Attachment 4**).

4.1.2 Varied Licence Conditions and costs

In response to the Varied Licence Conditions obligations, Ausgrid has already implemented, and will continue to implement, targeted solutions to meet the obligations created by those conditions.

Table 4.1 below identifies the obligations created by the Varied Licence Conditions and the new or incremental solutions that Ausgrid has employed or will employ, which forms the basis for the costs claimed as part of this application. The last two rows of Table 4.1 relate to additional implementation guidance provided in the Minister's letters dated 20 December 2024 and 10 December 2025 and the Lessons Learned Report.⁴⁷ The letters call for the NSW DNSPs to work together,⁴⁸ and the Lessons Learned Report provides guidance on how the NSW DNSPs should implement the Varied Licence Conditions in a consistent and coordinated manner across NSW.

Table 4.1 Varied Licence Conditions and associated solutions/costs

Area	Obligation created by condition/letter	Solutions implemented by Ausgrid (i.e. costs)
Varied Licence Conditions		
Solar curtailment	Be capable of remotely interrupting or curtailing solar exports and generation for all new or upgraded solar generating systems Maintain and operate a CSIP-AUS compliant utility server	Software package (including CSIP-AUS compliant utility server, Public Key Infrastructure (PKI), Distributed Energy Resource Management System (DERMS) to manage and trigger curtailment for MSL conditions, associated running costs) Targeted site updates to test capabilities Changes to depots for testing

⁴⁷ Ausgrid - Attachment 5 - Emergency backstop cost pass through application – Letter from the Minister – 20 December 2024 (Attachment 5); AEMO, '[Learnings from industry implementation of emergency backstop mechanisms for distributed resources](#)' (Q2 2025). See discussion of the letter in section 6.3.2 below.

⁴⁸ Ausgrid - Attachment 5 - Emergency backstop cost pass through application – Letter from the Minister – 20 December 2024, p1 (Attachment 5); Ausgrid - Attachment 7 - Emergency backstop cost pass through application – Letter from the Minister – 10 December 2025.

Area	Obligation created by condition/letter	Solutions implemented by Ausgrid (i.e. costs)
		Changes to Model Standing Offer to enable receipt of necessary information and complete testing
Connection agreements	Update relevant connection agreements to enable the emergency backstop mechanism and flexible export limits	Our Model Standing Offer has been updated and lodged with the AER on 2 June 2026
Notification of customers	Notify customers of AEMO directed and planned curtailments (i.e. testing) if certain thresholds are met, or in the event of prolonged utility server disconnection	Website update SMS message process
Measures to deliver additional operational demand	Develop and maintain control over sufficient additional operational demand capacity	Enhanced voltage management capabilities ('Volt Var Optimisation' application) New process to manage MSL events
Flexible export limits	Implement and maintain the technical capability to offer flexible export limits	Dynamic operating envelope (DOE) engine to forecast export constraints and calculate the export limits. This is separate to, but integrates with, the software and systems implemented for 'solar curtailment' above
Conformance monitoring	Prepare testing procedures Undertake tests in accordance with procedures	Development of internal testing procedures and reporting templates
Solar curtailment performance report	Report annually or when requested to AEMO and the NSW Minister for Energy	Development of internal reporting procedures and templates
NSW CER Installer Portal	Develop and maintain connective systems that can integrate with the CER Installer Portal	Changes to Ausgrid's connection systems and processes to support embedded generation applications and enable integration with the CER Installer Portal
Letters from the Minister dated 20 December 2024 and 10 December 2025 and the Lessons Learned Report		
Harmonisation	Consistent implementation by NSW DNSPs	Harmonisation costs, including in relation to engagement, industry communication, alignment with OEMs, installers etc. ⁴⁹

⁴⁹ In the Lessons Learned Report, AEMO identifies national consistency as a key requirement. The costs incurred in harmonisation and coordination with other DNSPs ensure consistent implementation across jurisdictions, reducing industry friction and long-term inefficiencies.

Area	Obligation created by condition/letter	Solutions implemented by Ausgrid (i.e. costs)
Support Model	Develop a support model for the Emergency Backstop Mechanism and flexible exports capability	New support model for Ausgrid to ensure the capability is sustainable after implementation on an ongoing basis. ⁵⁰

The total incremental costs incurred in responding to the Varied Licence Conditions is forecast to be \$45.3 million. This total comprises \$32.1 million in capital expenditure (**capex**) and \$13.2 million in operating expenditure (**opex**). Ausgrid incurred \$21.1 million in FY26 and we forecast additional costs of \$23.9 million will be required to fully address the Varied Licence Conditions in the remainder of the regulatory period. Table 4.2 provides a more detailed cost breakdown.

Table 4.2 Total costs caused by the imposition of the Varied Licence Conditions per category (real FY26)

Category	FY25	FY26	FY27	FY28	FY29	Total
Capex						
Internal labour	\$120,707	\$342,479	\$686,274	-	-	\$1,149,460
Overheads	\$39,028	\$39,533	\$40,377	\$39,287	\$37,819	\$196,044
Contracted services	\$149,233	\$16,839,419	\$5,137,143	\$856,800	-	\$22,982,595
Software	-	\$2,602,022	\$1,800,000	\$600,000	\$600,000	\$5,602,022
Hardware	-	\$324,439	\$786,308	\$532,400	\$532,400	\$2,175,547
Subtotal	\$308,969	\$20,147,892	\$8,450,102	\$2,028,487	\$1,170,219	\$32,105,669
Opex						
Internal labour	-	-	-	\$1,155,541	\$2,040,889	\$3,196,430
Overheads	-	-	-	-	-	-
Contracted services	-	-	\$504,500	\$200,000	\$200,000	\$904,500
Software	-	\$977,100	\$2,644,028	\$2,938,308	\$2,544,960	\$9,104,395
Hardware	-	-	-	-	-	-
Subtotal	-	\$977,100	\$3,148,528	\$4,293,849	\$4,785,849	\$13,205,325
Total	\$308,969	\$21,124,992	\$11,598,630	\$6,322,336	\$5,956,068	\$45,310,994

⁵⁰ In the Lessons Learned Report, AEMO identifies governance and accountability as a gap in existing implementations. Ausgrid's investment in governance structures, support model and operating procedures ensures clear accountability and efficient operation.

The following sections (4.1.3 to 4.1.6) contain a detailed breakdown of each cost category, explaining how individual cost components have been derived, how they build up to the total forecast expenditure, and the specific drivers that link each cost element back to the requirements imposed by the Varied Licence Conditions.

4.1.3 Internal labour

Our application includes \$4.3 million in internal labour costs associated with delivering new assets and capabilities, and operating and maintaining those capabilities once implemented.

What we will deliver

Our forecast of direct labour capital costs reflects the mix of program management, business analysis, change management, architecture, testing, procurement and subject-matter expertise needed to design, build and operationalise the new capabilities. It also includes the cost of temporary and contracted staff required to meet the delivery timeframes specified in the Varied Licence Conditions.

Why our forecast is prudent and efficient

Our proposed \$4.3 million in direct internal labour capital costs is based on a conservative approach to identifying the incremental costs associated with the Emergency Backstop Mechanism.

In particular, our proposal excludes labour costs associated with existing employees whose involvement in the initiative was undertaken within redirection of existing roles and resourcing levels to the program. While these employees contributed to the design, governance and implementation of the Emergency Backstop Mechanism, their costs have not been included in the claim as they would not generally be regarded as incremental under the AER's recent approach to assessing pass through applications.

In FY26, this resulted in the exclusion of approximately \$3.9 million (real FY26) of internal labour costs. As a result, while the total internal labour effort associated with the Emergency Backstop Mechanism was approximately \$8.2 million over the 2024-29 period, only \$4.3 million has been included in this application.

This approach is demonstrated in the accompanying expenditure model (**Attachment 4**) which identifies the full population of internal labour costs associated with the Emergency Backstop Mechanism, including both incremental and non-incremental activities. Costs excluded from the claim are clearly identified in the model as "Excluded from EBM" (see tab 'I_Act_Capex_Labour'), allowing the AER to readily distinguish between the total resources deployed and the subset of costs that Ausgrid considers recoverable under the AER's approach to incremental expenditure.

While Ausgrid has aligned this application with the AER's recent approach to the treatment of internal labour in cost pass through applications, we consider that further guidance on this issue would be beneficial. Major initiatives such as the Emergency Backstop Mechanism can require the significant redeployment of internal resources, creating impacts that extend beyond the directly incremental costs captured in a pass through application. Over time, these impacts may manifest through delayed work programs, reprioritisation of activities, or the need to engage additional external resources to meet competing business requirements.

Ausgrid therefore considers there would be value in the AER providing additional guidance on the treatment of internal labour costs in future cost pass through applications. This could assist in providing greater certainty regarding the AER's expectations and support a more consistent assessment of the broader economic and financial impacts associated with major regulatory and operational obligations.

4.1.4 Overheads

The Emergency Backstop Mechanism requires Ausgrid to undertake a range of project delivery, implementation and operational activities. As with any major capital program, the efficient delivery of these activities requires supporting overhead functions, including project governance, management, corporate support and administrative services. Our application includes \$0.2 million to recover these costs.

What we will deliver

The overhead costs included in this application support the delivery of the capital works required to implement the Emergency Backstop Mechanism. This includes the governance, management and support activities necessary to develop, procure, construct and commission the assets described in this application.

While overheads do not give rise to separate physical deliverables, they are an essential component of delivering the underlying capital program and ensuring that the associated assets are delivered safely, efficiently and in accordance with regulatory requirements.

Why our forecast is prudent and efficient

Ausgrid has identified the level of overhead expenditure that would have been included in its 2024-29 regulatory proposal had the Emergency Backstop Mechanism been known and forecast at the time of that determination. This approach ensures that the expenditure included in this application is consistent with the AER's established forecasting methodologies and reflects the costs that would reasonably have formed part of Ausgrid's approved allowance.

Consistent with the AER's standard approach to forecasting capitalised overheads, Ausgrid has included \$0.2 million in capital overheads. These overheads have been calculated using the AER's established methodology, which assumes that 75 per cent of overhead costs are fixed and 25 per cent vary with direct capex. We recognise that this amount is minimal, however, we have included it for completeness.

Ausgrid has not proposed any additional operating expenditure overheads. This reflects the AER's established opex forecasting framework, under which growth in overhead expenditure is funded through either approved step changes or forecast changes in key outputs, including customer numbers, energy delivered and ratcheted maximum demand. The Emergency Backstop Mechanism is not expected to materially affect these output measures and, accordingly, Ausgrid has not included any incremental opex overhead allowance in this application.

Ausgrid considers this approach to be prudent, efficient and conservative. The approach reflects a deliberate effort by Ausgrid to align our application with the AER's existing forecasting framework and avoid claiming costs that may already be funded through approved opex allowances.

4.1.5 Contracted services

We forecast a total of \$23.9 million to be incurred in contracted services capital and operational expenditure, which covers the engagement of specialist vendors, advisors, and delivery partners required to implement the new systems and processes mandated under the Varied Licence Conditions.

What we will deliver

External service providers have led the detailed design, integration, testing, and deployment of Ausgrid's new CSIP-AUS-compliant utility server and associated digital platforms. This work includes several key delivery streams aligned to the specific obligations set out in the Varied Licence Conditions.

A major component of the external services forecast relates to the Varied Licence Conditions, which require changes to Ausgrid's connections application process to accommodate the new installer portal requirements. Of the total forecast, \$10.2 million relates to enhancements to solar connection applications, including an externally sourced delivery team responsible for designing and implementing the new application process, connection agreements and flexible export capabilities within Ausgrid's business-as-usual systems.

This program is essential to ensure compliance with the CER Installer Portal requirements set out in Appendix D of the Varied Licence Conditions. These conditions require Ausgrid to develop connection systems capable of integrating with the NSW Government's portal, sharing information relating to the connection and installation of CER, and maintaining this integration on an ongoing basis. The program has also involved close coordination with the other NSW DNSPs to ensure a consistent and harmonised approach across the state.

While the external delivery team forms the basis of the forecast costs included in this application, the program has also required significant support from Ausgrid employees. Consistent with the approach adopted throughout this application, internal labour costs have only been included where they are incremental to Ausgrid's existing expenditure allowance and consistent with the AER's recent guidance on eligible pass through costs. As a result, a substantial portion of internal labour associated with this program has been excluded from the eligible pass through amount.

A significant component of the external services forecast also relates to the delivery of Ausgrid's utility server and DERMS capabilities, which are required to manage and trigger solar export curtailment during MSL conditions. The expenditure supports the configuration, integration, testing, deployment and ongoing operation

of Ausgrid's CSIP-AUS compliant platform, enabling Ausgrid to curtail or interrupt solar exports and generation as required under clause C.1.7 of the Varied Licence Conditions.

A substantial proportion of this expenditure relates to specialist systems integration and technical delivery resources required to establish interoperability between the utility server, DERMS, customer and connection management systems, operational platforms, and external communications interfaces. This includes the design and implementation of end-to-end business processes, integration of multiple software platforms, testing and assurance activities, and the deployment of operational capabilities required to manage, monitor and verify curtailment actions. The program also includes software implementation services, platform configuration, technical assurance and ongoing vendor support required to transition these capabilities into business-as-usual operations.

Other external engagements, which were co-funded with NSW DNSPs to minimise overall costs, have been included to support complementary requirements, including legal, communications, and industry coordination. These include:

- Energy Networks Australia – work to harmonise implementation approaches;
- external legal advisors – procurement support and legal review of the Varied Licence Conditions;
- SEC Newgate Australia – customer and stakeholder engagement activities;
- specialist engagement consultants – development of communication materials; and
- PKI – development of consistent approach to PKI for OEMs.

Some funding has also been included to support industry-wide and customer change management, jurisdictional and CSIP-AUS training, and customer and installer testing incentives to ensure system readiness, secure integration, and safe activation prior to go-live.

Why our forecast is prudent and efficient

Our external services forecast represents a prudent and efficient response to the new regulatory obligations imposed under the Varied Licence Conditions. The program of services has been designed to draw on specialist external expertise where this delivers greater value to customers than an internal delivery model. This is particularly important for complex system integration, cybersecurity, and stakeholder engagement activities that cannot be delivered cost-effectively in-house. This targeted use of external providers ensures that expenditure is directly linked to clearly defined outcomes and compliance deliverables.

Specific examples of how our external services forecast is prudent and efficient is as follows:

1. our licensing agreement for the provision of software for the utility server, DERMS and software maintenance was negotiated to be over 10 years, being the most cost efficient period for licence costs;
2. these licencing agreements were negotiated on a basis that controls Ausgrid's costs while prudently reflecting growth in customer volumes; and
3. the scope of complementary measures was kept small and targeted to minimum investments options (\$1.6m in contracted services costs), given uncertainty over the AEMO forecast, ensuring we did not overinvest.

Our engagement of external service providers has been undertaken in accordance with Ausgrid's standard procurement and governance frameworks, which provide assurance that market testing, tender evaluation, and contract negotiation processes identify the most efficient service providers available. These frameworks emphasise competitive market engagement, value-for-money assessment, and proportionate risk allocation. Through these processes, Ausgrid ensures that external service costs are efficient, competitively priced, and aligned with the scale and complexity of the required work.

4.1.6 Software and hardware

Ausgrid forecasts \$14.7 million of software expenditure and a further \$2.2 million of hardware expenditure to establish the digital capabilities required to comply with the Varied Licence Conditions.

These investments form the digital backbone of the Emergency Backstop Mechanism, enabling Ausgrid to monitor network conditions, communicate with customers and aggregators, manage emergency backstop events, and meet the operational and reporting obligations established under the Varied Licence Conditions.

Cost Pass Through Application - Emergency Backstop Mechanism

What we will deliver

We are proposing \$9.1 million in software opex, comprising \$1.0 million in FY26 and a further \$8.1 million across FY27 to FY29. This expenditure covers utility server maintenance, PKI security services, data management and hosting, as well as other recurring software costs required to operate and maintain these capabilities on an ongoing basis.

Software capex comprises \$5.6 million, including \$2.6 million in FY26 to support the delivery of our utility server and DERMS capabilities, and a further \$3.0 million across FY27 to FY29. This includes ongoing investment in the utility server and DERMS platform, as well as expenditure to implement a flexible exports engine. These interfaces will enable export limit changes to be communicated dynamically across Ausgrid's operational, market-facing and customer systems. The \$2.2 million in hardware expenditure we have included in our pass through application will provide the infrastructure required to support these capabilities.

Collectively, these costs establish the foundational systems required to enable secure, real-time control of distributed solar generation and ensure Ausgrid can meet its new licence obligations efficiently and reliably. These systems will enable Ausgrid to maintain and operate a CSIP-AUS compliant utility server capable of interrupting or curtailing solar exports and generation from systems of 200 kW or less, as required under condition C.1.7 of the Varied Licence Conditions. They will also provide the technical capability to meet condition C.5.1, which mandates that Ausgrid must implement and maintain flexible export limit capabilities for new and upgraded solar generating systems up to 200 kW.

In addition, our software expenditure program will ensure compliance with conditions C.1.1 to C.1.6 of the Varied Licence Conditions. These conditions require Ausgrid to only authorise the connection of a new, or alteration of an existing, solar generating system if specific technical criteria are met, such as the ability for systems to communicate with Ausgrid's utility server via a CSIP-AUS compliant communication channel and the ability to be remotely interrupted or curtailed when required.

Why our forecast is prudent and efficient

Our forecast reflects the costs that would be incurred by a prudent business acting in accordance with good industry practice to comply with the Varied Licence Conditions. The program has been developed using detailed scoping and cost estimates informed by competitive tenders and supplier quotations received in response to a 'request for proposal' (RFP) to ensure that the costs reflect prices revealed through genuine competitive tension.

Procurement has been undertaken in accordance with Ausgrid's established governance and procurement frameworks. These processes are designed to ensure pricing and risk allocation are tested in the market and represent efficient outcomes.

4.2 Assessment of actual and future costs

The calculation of our proposed cost pass through amount includes the actual costs incurred until 30 April 2026 in responding to the Varied Licence Conditions and the future costs that are expected to be incurred to comply with the conditions. We discuss the actual and future costs below.

4.2.1 Actual costs

NER 6.6.1(c)(6)(i)

The actual costs incurred in FY26 in response to the Varied Licence Conditions will be subject to independent verification. A report from PwC will be provided to the AER in or around September or October 2026. As part of the assurance process, further analysis will be undertaken to confirm the appropriate accounting treatment of Software-as-a-Service implementation costs. This may result in a revised allocation of those costs between capex and opex.

Actual costs are captured through our SAP accounting system, with program resources booking their time to designated cost objects. Associated materials and contracted services are also booked to the relevant cost objects.

4.2.2 Future costs

NER 6.6.1(c)(6)(i)

Cost Pass Through Application - Emergency Backstop Mechanism

The Emergency Backstop Mechanism gives rise to a range of ongoing operating expenditure requirements that extend beyond the initial implementation phase and continue through to the end of the 2024-29 regulatory control period. While Ausgrid has already incurred costs in establishing the capability, ongoing expenditure will be required to maintain, support and operate the systems and processes necessary to comply with the Varied Licence Conditions.

This application therefore includes forecast total expenditure of approximately \$11.6 million in FY27, \$6.3 million in FY28 and \$6.0 million in FY29 (real FY26). These costs are primarily associated with the ongoing operation of the Emergency Backstop Mechanism. The forecast total expenditure includes:

- **Software costs** (\$4.4 million in FY27, \$3.5 million in FY28 and \$3.1 million in FY29) to fund utility server maintenance support, data storage and other ongoing operating costs.
- **Hardware costs** (\$0.8 million in FY27, \$0.5 million in FY28 and \$0.5 million in FY29) associated with cloud infrastructure, system hosting and related technology services.
- **Contracted services costs** (\$5.6 million in FY27, \$1.1 million in FY28 and \$0.2 million in FY29) to support the safe and compliant delivery of the Emergency Backstop Mechanism, CER Installer Portal and associated complementary measures.
- **Internal labour costs** (\$0.7 million in FY27, \$1.2 million in FY28 and \$2.0 million in FY29) to engage additional staff to support the ongoing operation and maintenance of the utility server and CER Installer Portal.

The NER expressly contemplates the recovery of future expenditure through a cost pass through application where there is evidence of the likely increase in costs arising from the positive change event.⁵¹ Consistent with this requirement, Ausgrid has developed detailed forecasts of future expenditure based on, where available, vendor pricing and contractual arrangements, together with implementation plans and resource forecasts.

These costs are directly attributable to the Emergency Backstop Mechanism and would not have been incurred absent the introduction of the Varied Licence Conditions. Unlike the implementation costs incurred during the establishment phase, these expenditures represent recurring operating costs that Ausgrid will continue to incur annually in order to maintain compliance with the licence obligations and ensure the Emergency Backstop capability remains available and operational throughout the remainder of the regulatory period.

4.3 Revenue impacts from costs associated with Varied Licence Conditions

Table 4.3 demonstrates the building block revenue impact of the incremental costs incurred as a result of the imposition of the Varied Licence Conditions. This includes costs that we have incurred and those we are likely to incur, until FY29. The PTRM used to calculate the eligible pass through amount is at **Attachment 3**.

Table 4.3 Building block costs for eligible pass through amount (\$m, nominal)

	FY25	FY26	FY27	FY28	FY29	Total
Return on capital	-	\$0.0	\$1.2	\$1.6	\$1.5	\$4.4
Return of capital	-	\$0.0	\$3.0	\$4.3	\$4.8	\$12.2
Opex	-	\$1.0	\$3.3	\$4.6	\$5.2	\$14.0
Net tax amount	-	(\$0.0)	(\$0.6)	(\$0.3)	\$0.0	(\$0.9)
Incremental annual revenue requirement (unsmoothed)	-	\$1.0	\$6.9	\$10.2	\$11.6	\$29.7

⁵¹ NER, clause 6.6.1(c)(6)(i).

	FY25	FY26	FY27	FY28	FY29	Total
Incremental annual revenue requirement (smoothed)	-	-	-	\$15.4	\$15.1	\$30.5

4.4 Bill impacts

The table below sets out the estimated impact of the proposed pass through amount on small customer bills. Ausgrid expects that an average residential customer will incur an annual increase in their network bill of approximately \$3 to \$4, while a typical small business customer will incur an annual increase of approximately \$7 to \$10. This represents an increase of around 0.4 per cent on current network bills.

Table 4.4 Customer bill impacts – Average annual increase (\$nominal)

		Network bill (before EBM)	Annual increase (after EBM)	Difference (%)
Residential	Flat tariff	\$1,005	\$4	0.4%
	TOU	\$919	\$3	0.4%
Small bus	Flat tariff	\$2,561	\$10	0.4%
	TOU	\$1,754	\$7	0.4%

Note: EBM = emergency backstop mechanism

5 Key criteria to be established

5.1 Imposition of the Varied Licence Conditions is a pass through event

NER cl 6.6.1(a1)

Clause 6.6.1(a1) of the NER lists events that meet the definition of a pass through event for a distribution determination (i.e. the AER's distribution determination for the 2024-29 regulatory period). For Ausgrid to recover the costs associated with the Varied Licence Conditions, it is necessary to show that the implementation of the varied conditions is an event that falls within the definition of one of the categories of pass through events.

Our view is that a 'service standard event' is the most appropriate category. A 'service standard event' is defined as:⁵²

A legislative or administrative act or decision that:

(a) has the effect of:

(i) substantially varying, during the course of a regulatory control period, the manner in which a Transmission Network Service Provider is required to provide a prescribed transmission service, or a Distribution Network Service Provider is required to provide a direct control service; or

(ii) imposing, removing or varying, during the course of a regulatory control period, minimum service standards applicable to prescribed transmission services or direct control services; or

(iii) altering, during the course of a regulatory control period, the nature or scope of the prescribed transmission services or direct control services, provided by the service provider; and

(b) materially increases or materially decreases the costs to the service provider of providing prescribed transmission services or direct control services.

The Minister for Energy is empowered to vary the conditions of a licence under s 7(1) of the *Electricity Supply Act 1995* (NSW). The AER has previously recognised that the varying a distribution licence to introduce licence conditions is an 'administrative act or decision'.⁵³ Similarly, varying DNSP licence conditions to include the Varied Licence Conditions is an administrative act or decision, satisfying the first criteria of a service standard event.

The Varied Licence Conditions has the effects stated at (ii) and (iii) above, being:

- a. imposing minimum service standards applicable to direct control services during a regulatory control period, by mandating minimum service standards in relation to systems connected to the electricity network that uses solar photovoltaic technology to generate electricity during Ausgrid's 2024-29 regulatory control period;⁵⁴ and
- b. altering the nature and scope of the direct control services provide by Ausgrid during our current regulatory control period.

Therefore, the second criterion of a service standard event is satisfied.

Finally, the third criterion of a service standard event is satisfied as the imposition of the Varied Licence Conditions has materially increased Ausgrid's costs of providing direct control services (discussed at section 5.2 below).

Therefore, the Varied Licence Conditions fall within the definition of a service standard event.

⁵² NER, Glossary.

⁵³ AER, 'Determination Cost pass through Essential Energy's Critical Infrastructure Licence Conditions' (March 2022), p 10, cited in United Energy, 'Victorian Emergency Backstop Mechanism (VEBM) Cost Pass-Through Application' (June 2024), p 6.

⁵⁴ Varied Licence Conditions, schedule A, appendix C, condition C.8.3.

5.2 Imposition of the Varied Licence Conditions is a positive change event

NER clauses 6.6.1(a), (c)(1) and (2)

A positive change event for a DNSP involves:

- a pass through event;
- that results in the DNSP incurring materially higher costs in providing direct control services than the DNSP would have incurred if the event did not happen.⁵⁵ In this context, 'materially' means a change in what a DNSP incurs and is likely to incur in the regulatory year of a regulatory control period from an event that causes them to exceed 1% of the annual revenue requirement for that year.⁵⁶

As stated in section 5.1, the imposition of the Varied Licence Conditions constitutes a pass through event, specifically, a service standard event.

Ausgrid forecasts that it is likely to incur an additional \$21.1 million (real FY26) in the FY26 regulatory year because of the imposition of the Varied Licence Conditions. These costs relate to providing direct control services, being our distribution services, which would not have occurred if the conditions were not varied.

Ausgrid's annual revenue requirement for FY26 is \$1,807.8 million (real FY26), which has been calculated in accordance with part C of chapter 6 of the NER.⁵⁷ Costs associated with the imposition of the Varied Licence Conditions were not considered in the calculation of the annual revenue requirement.

The table below sets out our calculation of materiality. It shows that the Varied Licence Conditions have led to a change in our costs of \$21.1 million (real FY26) and that, when measured against our 2025-26 annual revenue requirement, this amount exceeds the 1% materiality threshold in the NER.

Table 5.1 Building block costs for eligible pass through amount

Building Block	FY26
Change in costs from the Varied Licence Conditions (FY26)	\$21.1m
AER revenue allowance for the 2025/26 regulatory year (FY26)	\$1,807.8m
Materiality (%)	1.2%

The PTRM used to calculate the eligible pass through amount is at **Attachment 3**.

Based on the evidence above, the imposition of the Varied Licence Conditions constitutes a positive change event within the meaning of the AER.

5.3 The eligible and positive pass through amount and amount passed on to consumers

5.3.1 Eligible and positive pass through amount

NER clauses 6.6.1(c)(3), (4) and (c1)

Clause 6.6.1(c)(3) of the NER requires us to specify the eligible pass through amount that we are proposing in relation to the imposition of the Varied Licence Conditions.

An eligible pass through amount means:⁵⁸

⁵⁵ NER, Glossary.

⁵⁶ NER, Glossary.

⁵⁷ NER, Glossary 'annual revenue requirement'; NER, ch 6 pt C.

⁵⁸ NER, Glossary.

In respect of a positive change event for a Distribution Network Service Provider, the increase in costs in the provision of direct control services that, as a result of that positive change event, the Distribution Network Service Provider has incurred and is likely to incur (as opposed to the revenue impact of that event) until:

- a) unless paragraph (b) applies – the end of the regulatory control period in which the positive change event occurred; or*
- b) if the distribution determination for the regulatory control period following that in which the positive change event occurred does not make any allowance for the recovery of that increase in costs (whether or not in the forecast operating expenditure or forecast capital expenditure accepted or substituted by the AER for that regulatory control period) – the end of the regulatory control period following that in which the positive change event occurred.*

As discussed in section 5.2, Ausgrid considers that the imposition of the Varied Licence Conditions constitutes a positive change event for the purposes of Chapter 6 of the NER.

Consistent with the definition above, this application seeks recovery of the increase in costs that Ausgrid has incurred, and is likely to incur, in providing direct control services as a result of the Varied Licence Conditions. These costs comprise both expenditure already incurred and expenditure forecast to be incurred through to 30 June 2029 in order to implement and operate the capabilities required under the licence conditions.

Accordingly, our proposed eligible pass through amount is \$45.3 million. We also propose that this be our positive pass through amount, being an amount that we propose to be passed through which does not exceed the eligible pass through amount.⁵⁹

Our proposed pass through amount does not relate to expenditure for a restricted asset.

5.3.2 Amount passed onto consumers

NER clause 6.6.1(c)(5)

Ausgrid proposes that the full value of the positive pass through amount is passed onto network customers.

The following table shows the proportion of the positive pass through amount that Ausgrid proposes is passed on to customers in FY28 and FY29.

Table 5.2 Positive pass through amount passed onto consumers (\$m, nominal)

	FY26	FY27	FY28	FY29	Total
Positive pass through amount to be passed on	-	-	\$15.4	\$15.1	\$30.5
Percentage of pass through amount to be passed on	-	-	50.6%	49.4%	100.0%

6 Factors to consider in determining if a positive change event has occurred

6.1 Matters in written statement

NER clause 6.6.1(j)(1)

This application, including this document and its attachments, is our written statement to the AER pursuant to clause 6.6.1(c) of the NER to recover a positive pass through amount of \$45.3 million (real FY26).

6.2 Increase in costs that has been incurred

NER clause 6.6.1(j)(2)

⁵⁹ NER, cl 6.6.1(c), (c)(4).

Please refer to section 4 for the increase in costs that are forecast to be incurred by Ausgrid as a result of the imposition of the Varied Licence Conditions.

6.3 Efficiency of our actions related to the Varied Licence Conditions

NER clause 6.6.1(j)(3)

In its assessment of our proposed cost pass through, the AER is required to consider the efficiency of our decisions and actions in relation to the risk of the imposition of the Varied Licence Conditions.⁶⁰ This includes consideration of:⁶¹

- a. whether Ausgrid has not taken any action that could reasonably have reduced the size of our proposed pass through amount (our view being that this is an eligible pass through amount, see section 5.3); and
- b. whether Ausgrid has taken or not taken any action, where the action or omission has increased our proposed pass through amount.

In this section, we have outlined how Ausgrid has acted efficiently in response to the imposition of the Varied Licence Conditions, including the governance measures we employed to efficiently manage risk and the actions we have taken in response to the conditions.

6.3.1 Governance procedures and practices

Considering the risk of grid instability and blackouts, the safety, wellbeing and stability of our customers are our highest priority and must be considered when assessing the 'decisions and actions' we made in relation to the Varied Licence Conditions.

In terms of assessing the efficiency of these actions and decision, the NER directs the AER to focus on how we managed the risk presented by the positive change event.⁶² In responding to the Varied Licence Conditions, Ausgrid applied its established governance, risk management and project delivery processes. These processes are designed to support prudent and efficient decision-making, ensure risks to customer safety and network reliability are appropriately managed, and provide oversight of significant expenditure and operational decisions.

6.3.2 Actions taken in response to the Varied Licence Conditions

Ausgrid was first informed that the NSW Government was considering regulatory action to require an Emergency Backstop Mechanism in September 2024, shortly after receiving written advice from AEMO in August about the growing risk of MSL events in the NSW and ACT National Electricity Market region.⁶³

As a result of these communications, we took the following actions:

1. worked with AEMO to understand the size of the demand capacity shortfall;
2. formally responded to AEMO's letter on 30 September 2024; and
3. met with representatives from Victorian and South Australian DNSPs to understand the approaches taken in these jurisdictions and use learnings from their solar curtailment implementation to reduce friction for industry participants, such as solar retailers, installers and customers.

On 20 December 2024, the NSW Minister for Energy wrote to Ausgrid requesting that we work together with NSW DCCEEW to develop a consistent approach to the Emergency Backstop Mechanism and CER Installer Portal (see **Attachment 5**).

As a result of this notification, we took the following actions:

1. on 23 January 2025, Ausgrid formally responded to the NSW Minister for Energy, supporting the use of CSIP-AUS as the main emergency backstop technology, however, alerting the NSW Government to

⁶⁰ NER, cl 6.6.1(j)(3).

⁶¹ NER, cl 6.6.1(j)(3).

⁶² NER, clause 6.6.1(j)(3).

⁶³ Ausgrid – Attachment 8 - Emergency backstop cost pass through application – letter from AEMO – 20 January 2026, p1 (Attachment 8).

the ongoing risk of MSL and that short term, complementary measures will likely be required (see **Attachment 6**);

2. in January 2025, Ausgrid began participating in three NSW Government-led Working Groups (project management working group, technical working group and stakeholder engagement working group), meeting weekly throughout the year;
3. on 28 February 2025, Ausgrid issued two RFPs, for 'Emergency Backstop System Software and Services' and 'Technical Integration Services', to prospective vendors to supply and integrated software systems to deliver active management of solar systems as an emergency backstop capability. A rigorous evaluation process followed, which included technical evaluation and commercial modelling, and price/contract negotiations with multiple vendors. A contract was executed between Ausgrid and each successful vendor;
4. on 7 March 2025, Ausgrid provided a submission to DCCEEW in response to their consultation paper on the Emergency Backup Mechanism and CER Installer Portal;⁶⁴
5. on 3 April 2025, DNSPs provided proactive advice on the draft conditions to NSW DCCEEW; and
6. in May 2025, DCCEEW published a consultation summary document, which we reviewed and discussed with DCCEEW representatives through the working groups.

On 13 June 2025, Ausgrid received a draft of the Varied Licence Conditions, as they relate to the Emergency Backstop Mechanism and flexible export limits only, that had been prepared by DCCEEW's policy team. As a result of this notification, we took the following actions:

1. on 5 June 2025, met with external lawyers to discuss the provision of legal advice on the impact of the draft conditions, following the seeking of quotes for legal services in May;
2. on 13 June 2025, disseminated the draft conditions to Ausgrid staff, including members of our regulatory team and subject matter experts and sought feedback;
3. on 18 June 2025, held an internal meeting to discuss the draft conditions and any amendments that we should propose to be made;
4. reviewed and consolidated feedback on the draft conditions;
5. on 27 June 2025, provided our feedback on the draft conditions as a combined submission with other NSW DNSP's to DCCEEW, including a detailed mark up on the draft conditions and comments; and
6. contributed to a letter sent to DCCEEW on 11 July 2025, which outlined NSW DNSPs requests for what is to be included in a ministerial letter to each DNSP outlining the intent of the Varied Licence Conditions and expectations of DNSPs.

In late June 2025, Ausgrid participated in a workshop with AEMO related to their Lessons Learned Report and received a draft of the report on 8 July 2025. The report reinforced Ausgrid's approach to collaborate with peer DNSPs and harmonise approaches to comply with the Varied Licence Conditions.

On 16 July 2025, Ausgrid received a second draft of the Varied Licence Conditions as they relate to the Emergency Backstop Mechanism and flexible export limits only. As a result of this notification, we took the following actions:

1. on 16 July 2025, disseminated the draft conditions to Ausgrid staff, including members of our regulatory team and subject matter experts and sought written feedback;
2. on 21 July 2025, DNSPs met with DCCEEW policy representatives to discuss comments on the second draft;
3. on 24 July 2025, provided our feedback on the second version of the draft conditions, consistent with the discussion held on 21 July, as a combined submission with other NSW DNSP's to DCCEEW, including a detailed mark up on the draft conditions and comments;

⁶⁴ Ausgrid, 'Ausgrid submission re NSW Emergency Backstop Mechanism and CER Installer Portal' (7 March 2025).

4. on 31 July 2025, NSW DNSPs jointly provided further, detailed feedback and drafting on a number of outstanding policy issues affecting the intended operation of the licence conditions; and
5. on 1 August 2025, Ausgrid and other NSW DNSPs met with DCCEEW to discuss these outstanding issues.

On 5 September 2025, Ausgrid received a third draft of the Varied Licence Conditions (including conditions related to the CER Installer Portal) and a first draft of the ministerial letter from DCCEEW. As a result of this notification, we took the following actions:

1. on 5 September 2025, disseminated the draft conditions to Ausgrid staff, including members of our regulatory team and subject matter experts;
2. reviewed and consolidated feedback on the draft conditions;
3. considered legal advice on the draft conditions;
4. on 17 September 2025, Ausgrid, alongside other NSW DNSPs, met with AEMO to discuss additional operational demand capacity needs within the NSW/ACT region to satisfy condition C.4.2 of the Varied Licence Conditions. This was followed by correspondence from AEMO on 23 September 2025 clarifying their expected operational demand increase from each NSW/ACT DNSP during MSL events for Spring 2025 and Spring 2026;
5. on 29 September 2025, provided feedback to AEMO on their previous correspondence and Ausgrid's expected operational demand increase for Spring 2025 and Spring 2026;
6. in September and October 2025, provided our feedback on the third draft of the Varied Licence Conditions as a combined submission with other NSW DNSP's to DCCEEW, including a detailed mark up on the draft conditions and comments;
7. on 16 October 2025, Ausgrid, alongside other NSW DNSPs, met with AEMO to further discuss additional operational demand capacity needs within the NSW/ACT region. In this meeting, AEMO shared the draft values used for NSW demand increase capability stack for the upcoming Transition Plan for System Security (TPSS) report. Later versions were also shared with NSW/ACT DNSPs on 6, 7, 17 and 20 November 2025;
8. in October and November 2025, attended meetings, received legal advice and provided feedback on a few minor outstanding issues in the Varied License Conditions;
9. on 18 November 2025, received the final draft of the Varied License Conditions from DCCEEW;
10. on 26 November 2025, hosted, along with other NSW DNSPs and the NSW Government, a public industry webinar about the Emergency Backstop Mechanism and CER Installer Portal; and
11. on 1 December 2025, met with the CCC to explain and discuss the proposed licence condition amendments, including Ausgrid's proposed solutions to comply with the conditions and our plan for engagement, training and education activities with various stakeholder groups.

On 1 December 2025, AEMO published their 2025 TPSS.⁶⁵ As a result, we took the following actions:

1. on 10 December 2025, met with AEMO and other NSW DNSPs to discuss the drafting of a letter outlining how MSL conditions will be managed, including a breakdown of agreed operational demand increase requirements by DNSP; and
2. on 17 December 2025, provided our review of AEMO's updated letter.

On 10 December 2025, Ausgrid received a letter from the Minister for Energy approving the Varied Licence Conditions 'to establish obligations for NSW DNSPs that are consistent with the delivery and use of the backstop mechanism from 30 June 2026' (**Attachment 7**).⁶⁶ This letter also:

⁶⁵ AEMO, '[2025 Transition Plan for System Security \(TPSS\)](#)' (accessed 29 June 2026).

⁶⁶ The Hon Penny Sharpe MLC, Minister for Energy, Letter to Mr Marc England (DOC25/874831-4), 10 December 2025, p1.

1. identified the necessity of collaboration between NSW DNSPs and DCCEE in developing the emergency backstop mechanism and CER Installer Portal;⁶⁷
2. requested that DNSPs consult with AEMO to determine the operational demand capacity needed to respond to MSL events;⁶⁸
3. requested that NSW DNSPs 'harmonise their emergency backstop mechanism implementation across all distribution networks';⁶⁹
4. indicated that DNSPs should 'adopt a consistent NSW test protocol for CSIP-AUS-enabled utility servers across all networks and not impose requirements beyond those in other Australian jurisdictions';⁷⁰
5. indicated that DNSPs should 'should standardise the connection process of CSIP-AUS solar generating systems' ... 'as a policy';⁷¹
6. requested that engagement on DNSPs and DCCEE on the CER Installer Portal continue;⁷² and
7. expects DNSPs to use the CER Installer Portal to enrol new systems into the emergency backstop mechanism.⁷³

As a result, Ausgrid incorporated the above requests into our delivery of the Emergency Backstop Mechanism in compliance with the Varied Licence Conditions. Specifically, Ausgrid focused collaboration, harmonisation and consistent testing protocols and connection processes in our delivery.

On 10 December 2025, Ausgrid was notified that the final Varied Licence Conditions had been made by the Minister for Energy. On 23 December 2025, the conditions were published online, which was our first opportunity to view the final conditions. As a result, we took the following actions:

1. alerted relevant internal staff to the making of the Varied Licence Conditions;
2. reviewed the final conditions to understand the obligations placed on Ausgrid; and
3. implemented actions to ensure that Ausgrid would be compliant with the Varied Licence Conditions by the relevant timeframes prescribed. This included, in February 2026, seeking a proposal from a professional services consultancy to design and document end-to-end operational processes and provide business analyst resource support to enable safe, consistent and scalable operation of the solar curtailment solution in compliance with the Varied Licence Conditions. A statement of work was executed on 3 March 2026.

On 20 January 2026, Ausgrid received the final letter from AEMO titled 'Management of Minimum System Load (MSL) Conditions'. The letter included a breakdown of the operational demand increase requirements for each DNSP in October 2025, 2026 and 2027 (**Attachment 8**). These requirements were incorporated into our operational planning for actions to be taken to increase operational demand during MSL events. Additionally, the requirements set out in this letter confirmed that Ausgrid's interpretation of the scope of complementary measures was accurate and the level of investment that we were pursuing was appropriate.

On 18 March 2026, Ausgrid requested that the Varied Licence Conditions be amended to address, amongst other things, delays in the creation of the CER Installer Portal. As a result, in April 2026, Ausgrid engaged with other NSW DNSPs and NSW DCCEE of the nature of the amendments. We provided our feedback on the amended conditions on 13 May 2026.

On 19 June 2026, the amended Varied Licence Conditions were made by the Minister for Energy.⁷⁴

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ Ibid, p2.

⁷⁰ Ibid, p2.

⁷¹ Ibid, p2.

⁷² Ibid, p2.

⁷³ Ibid, p2.

⁷⁴ Varied Licence Conditions, p2.

The above demonstrates Ausgrid's view that we did not fail to take any action that could reasonably be taken to reduce the magnitude of our proposed pass through amount or act, or failed to act, where this has increased the amount.⁷⁵

6.4 Time cost of money

NER clause 6.6.1(j)(4)

To account for the recovery of the pass through amount over FY28 and FY29, we have used the nominal weighted average cost of capital, as determined in Ausgrid's 2024–29 distribution determination, incorporating the annual update on return on debt for FY27, as well as the forecast inflation of 2.66% to calculate the approved pass through amount in nominal terms.

6.5 Recovery of incremental costs solely from the pass through event

NER clauses 6.6.1(j)(5)

Only the costs that occur solely because of the imposition of the Varied Licence Conditions (i.e. incremental costs) have been considered. We have not included non-incremental internal labour costs in our application. Further details are provided in section 4 of this application.

6.6 Cost of the pass through event factored into annual revenue requirement

NER s 6.6.1(j)(7)

The cost of the imposition of the Varied Licence Conditions has not been factored into the calculation of Ausgrid's annual review requirement for the current regulatory control period, being the period in which the conditions were imposed.

These costs will not be factored into the calculation of Ausgrid's annual revenue requirement for a subsequent regulatory control period.

6.7 Extent of costs being subject to a previous determination

NER s 6.6.1(j)(7A)

The costs that Ausgrid has incurred and is likely to incur because of the imposition of the Varied Licence Conditions have not been the subject of a previous determination made by the AER under clause 6.6.1 of the NER.

6.8 National Electricity Objective

NEL s 16(1)(a)

The AER is required to exercise its economic regulatory functions and powers in a manner that will or is likely to contribute to the achievement of the NEO.⁷⁶

The NEO is contained in s 7 of the NEL:

The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—

- (a) price, quality, safety, reliability and security of supply of electricity; and*
- (b) the reliability, safety and security of the national electricity system; and*
- (c) the achievement of targets set by a participating jurisdiction—*
 - i) for reducing Australia's greenhouse gas emissions; or*
 - ii) that are likely to contribute to reducing Australia's greenhouse gas emissions*

⁷⁵ NER, clause 6.6.1(j)(3).

⁷⁶ NEL, s 16(1)(a).

Our view is that the AER approving our proposed cost pass through amount will promote the efficient investment in, and efficient operation and use of, electricity services (specifically our distribution services) in the long term interest of consumers by:

- a. **Ensuring the safety, reliability and security of supply of electricity and the national electricity system**
 1. One of the aims of the Varied Licence Conditions is to prevent energy consumers from experiencing inconvenience and disruption from grid instability and blackouts caused by the combination of high solar output and low load.⁷⁷ However, stability of the network can be protected by reducing or pausing solar exports for a temporary period.⁷⁸ Approval of our proposed cost pass through amount will support efficient investment into the systems needed to ensure that our supply of electricity to consumers and the grid itself is safe, reliable and secure now, and as we transition to a higher proportion of renewable energy generation.
 2. Ausgrid has extensive experience and a long track record in maintaining the safety, reliability and security of supply of electricity to meet the long-term interests of electricity consumers. Approval of the proposed cost pass through amount will support us in drawing on our extensive experience in providing distribution services to increase the safety, reliability and security of the supply of electricity and the grid in times of minimum load.
 3. Additionally, as coal-fired generators retire, the supply of electricity from renewable generators will become increasingly critical to maintain the reliable and secure supply of electricity to NSW consumers. Efficient delivery of the emergency backstop mechanism will support increased connection of new renewable electricity generators without risks to the supply of electricity and the grid.
- b. **Positively impacting electricity prices paid by consumers and other financial benefits:** Approval of our proposed cost pass through to deliver the Emergency Backstop Mechanism will allow for more solar systems to be connected to the network, meaning more consumers can benefit from reduced electricity costs from consuming electricity behind the meter. Additionally, the Varied Licence Conditions require Ausgrid to have the ability to implement and maintain flexible export limit capabilities.⁷⁹ This will allow more solar owners to export more solar to the grid when there is sufficient demand, generating financial benefits for owners.
- c. **Supporting the achievement of emissions reductions targets set by the Federal Government:** The Commonwealth Government has set a target to reduce greenhouse gas emissions to its 2005 levels by 43% in 2030, 62-70% by 2035, and to net zero by 2050.⁸⁰ Efficient delivery of the Emergency Backstop Mechanism will allow for more solar systems to be connected to the network, contributing to reduced greenhouse gas emissions.

The above points demonstrate that approval of our proposed cost pass through amount will enable Ausgrid to implement the Varied Licence Conditions in a manner that promotes a more safe, secure, sustainable, affordable and reliable energy system, aligning with the objectives in the NEO.

6.9 Revenue and pricing principles

NEL s 7A(2)

The NEL specifies the revenue and pricing principles to be considered by the AER.⁸¹ These principles include the requirement that regulated network service providers, like Ausgrid, should be provided with a reasonable opportunity to recover at least the efficient costs that they incur in providing direct control services and complying with a regulatory obligation.⁸²

⁷⁷ NSW Government, 'New measures to manage rooftop solar exports during grid emergencies' (accessed 13 June 2025).

⁷⁸ Ibid (accessed 19 June 2025).

⁷⁹ Varied Licence Conditions, schedule A, appendix C, condition C.5.

⁸⁰ AEMC, '[Emissions targets statement under the national energy laws](#)' (September 2025), s 1 table 1.1.

⁸¹ NEL, s 7A(2).

⁸² NEL, s 7A(2).

Our view is that the Varied Licence Conditions have resulted in Ausgrid incurring costs in these circumstances and should be permitted to recover the efficient costs, being our proposed pass through amount, through the cost pass through mechanism.

7 Compliance checklist and assessment criteria checklist

Table 7.1 provides a checklist showing that this pass through application complies with the NER pass through provisions set out in clause 6.6.1 of the NER and cross-references the location of the relevant information in our application.

Additionally, Table 7.2 outlines the factors that the AER must consider in determining our cost pass through application under clause 6.6.1(j) of the NER and cross-references the location of the relevant information in our application.

Table 7.1 Compliance checklist

NER CI	Requirement	Information provided	Reference
6.6.1(a1)	Identification of a pass through event for a distribution determination.	The application explains that the Varied Licence Conditions constitutes a 'service standard event' as defined in the NER.	Section 5.1
6.6.1(a)	A DNSP may seek AER approval for the pass through for a positive change event. To qualify as a positive change event, the DNSP must have incurred materially higher costs in providing direct control services.	The application confirms that Ausgrid incurred materially higher costs in providing direct control services, and accordingly, the event qualifies as a positive pass through event.	Sections 2.2.2, 5.2
6.6.1(c)	A DNSP must submit a statement within 90 business days of the relevant positive change event occurring.	This requirement has been met as this application has been lodged on or before 30 June 2026, being the date that the AER extended Ausgrid's application to following a request for extension of time (Attachment 9)	Section 2.2.2
6.6.1(c)(1)	The statement must specify: The details of the positive change event.	The details of the positive change event, including the impact on customers and network assets, are provided in this application.	Section 2.2.1
6.6.1(c)(2)	The date on which the positive change event occurred	The Varied Licence Conditions commenced on 10 December 2025.	Section 2.2.2
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.	Section 5.3.1
6.6.1(c)(4)	The positive pass-through amount proposed.	The application proposes a positive pass through amount.	Section 5.3.1
6.6.1(c)(5)	The amount proposed to be passed through in the regulatory year in which the event occurred in and in subsequent regulatory years.	The application proposes amounts to be passed through in relation to FY25 to FY29. The impact on the building block calculations are also provided, noting that the revenue recovery will not commence until FY28.	Section 5.3.2

NER CI	Requirement	Information provided	Reference
6.6.1(c)(6)(i)	Evidence of: the actual and likely increases in costs referred to in subparagraph (3)	This application and attachments provides evidence of the actual and likely increases in costs because of affecting the Varied Licence Conditions.	Section 4
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.	Section 4
6.6.1(c)(6)(iii)	relates to the circumstances where the cause of costs is a retailer insolvency event	Not applicable.	N/A
6.6.1(c)(7)	other information as required under any relevant regulatory instrument	Not applicable.	N/A
6.6.1(c1)	relates to the pass through amount including expenditure for a restricted asset	Our proposed pass through amount does not relate to expenditure for a restricted asset	Section 5.3.1

Table 7.2 Assessment criteria checklist

NER CI	Criteria	Information provided	Reference
6.6.1(j)(1)	Matters and proposals in Ausgrid's written statement	Ausgrid's written statement is this application and its attachments	Application and attachments, section 6.1
6.6.1(j)(2)	The increase in costs from the positive change event that Ausgrid has incurred and is likely to incur until the end of the regulatory control period	The application demonstrates why the Varied Licence Conditions are a positive change event and the increase in costs from the event that has been, and is likely to be incurred, until the end of Ausgrid's regulatory control period	Section 6.2
6.6.1(j)(3)	The efficiency of Ausgrid's decisions and actions related to the risk of the positive change event	The application demonstrates the efficiency of Ausgrid's decisions and actions once the imposition of the Varied Licence Conditions was first notified.	Section 6.3
6.6.1(j)(4)	The time cost of money based on Ausgrid's allowed rate of return for the regulatory control period in which the pass through event occurred	The time cost of money is set out in this application	Section 6.4
6.6.1(j)(5)	Ensuring that Ausgrid only recovers actual or likely incremental costs to the extent the increment is only as a result of a pass through event	Ausgrid has only included actual or likely incremental costs in their proposed cost pass through amount as a result of the imposition of the	Section 6.5

NER CI	Criteria	Information provided	Reference
		Varied Licence Conditions, which is a pass through event	
6.6.1(j)(7)	Whether the costs of the pass through event have been accounted for in Ausgrid's annual revenue requirement for the current regulatory control period or will be accounted for in a future period	The cost of the proposed pass through event has not been accounted for in Ausgrid's current annual revenue requirement. These costs will not be factored into our calculation of the annual revenue requirement for the next regulatory control period.	Section 6.6
6.6.1(j)(7A)	The extent to which the costs Ausgrid has incurred and is likely to incur are the subject of a previous determination made by the AER under clause 6.6.1 of the NER	The costs Ausgrid has incurred and is likely to incur have not been the subject of a previous determination made by the AER under clause 6.6.1 of the NER	Section 6.7
6.6.1(j)(8)	Any other factors that the AER considers relevant.	None have been made known to us at this stage	N/A

8 List of attachments⁸³

Name of attachment	Overview
Ausgrid – Emergency backstop cost pass through application - Cover letter – 24 June 2026	CEO cover letter
Ausgrid - Attachment 1 - Emergency backstop cost pass through application – Variation to Licence Conditions – 2025	Variation to Ausgrid’s licence conditions to give effect to the emergency backstop mechanism
Ausgrid - Attachment 2 - Emergency backstop cost pass through application – Amendment to Varied Licence Conditions – 19 June 2026	Amendment to above varied licence conditions to account for, amongst other things, delays in the CER Installer Portal
Ausgrid - Attachment 3 - Emergency backstop cost pass through application - Updated PTRM – Jun 2026	Updated PTRM calculating Ausgrid’s 2024-29 revenue including the proposed emergency backstop amount
Ausgrid - Attachment 4 - Emergency backstop cost pass through application – Expenditure Model – Jun 2026	Build-up of costs requested to be passed through via this application
Ausgrid - Attachment 5 - Emergency backstop cost pass through application – Letter from the Minister – 20 December 2024	Letter from the Minister for Energy to Ausgrid requesting that Ausgrid work together with NSW DCCEEW to develop a consistent approach to the Emergency Backstop Mechanism and CER Installer Portal
Ausgrid - Attachment 6 - Emergency backstop cost pass through application – Letter to the Minister – 23 January 2025	Letter from Ausgrid to the Minister for Energy supporting the use of CSIP-AUS as the main emergency backstop technology, identifying the risk of MSL and need for complementary measures
Ausgrid - Attachment 7 - Emergency backstop cost pass through application – Letter from the Minister – 10 December 2025	Letter from the Minister for Energy to Ausgrid regarding the approved Varied Licence Conditions
Ausgrid – Attachment 8 - Emergency backstop cost pass through application – letter from AEMO – 20 January 2026	Letter from AEMO outlining the operational demand increase requirements that each DNSP is required to comply with to respond to a MSL event
Ausgrid - Attachment 9 - Emergency backstop cost pass through application - Letter from the AER re extension - March 2026	Letter from the AER in which it determined to extend the time that Ausgrid has to submit our application until 30 June 2026
Ausgrid - Attachment 10 - Emergency backstop cost pass through application – Letter from the Minister – 19 June 2026	Letter from the Minister for Energy to Ausgrid regarding the amendment to the Varied Licence Conditions

⁸³ Public and confidential versions (as appropriate) of these documents have been provided with our application.

Name of attachment	Overview
Ausgrid – Attachment 11 - Emergency backstop cost pass through application – confidentiality template – June 2026	Ausgrid's claims of confidentiality related to this cost pass through application