

NSW Emergency Backstop Mechanism

Cost pass through application

30 June 2026



Table of Contents

Table of Contents	2
Abbreviations	3
Executive Summary	4
1. Emergency backstop mechanism	6
1.1 Background	6
1.2 Description of new licence conditions	7
1.3 Scope of obligations	8
2. Cost pass through framework	11
2.1 Positive change event	12
2.2 Pass through event date	13
2.3 Cost materiality	14
2.4 Contingent projects and restricted assets	14
3. Capability uplift	15
3.1 Nature of the capability uplift	15
3.2 Program delivery approach	16
3.3 Changes to our operating model and organisation	17
3.4 Industry collaboration and implementation	17
4. Cost impact	19
4.1 Cost overview	19
4.2 Cost build-up approach	20
4.3 Incremental costs	21
4.4 Labour resources	22
4.5 Prudent and efficient costs	24
5. Eligible pass through amount	25
5.1 Positive pass through amount	25
5.2 Incremental price impact	25
Appendix A: Compliance checklist	27
Appendix B: Confidentiality claim	29
Appendix C: Document list	31

Abbreviations

Acronym	Meaning
ADMS	Advanced Distribution Management System
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ARR	Annual Revenue Requirement
Capex	Capital Expenditure
CER	Customer Energy Resources
CER Portal	NSW Customer Energy Resources Installer Portal
CSIP-AUS	Common Smart Inverter Profile Australia
DCCEEW	NSW Department of Climate Change, Energy, the Environment and Water
DNSP	Distributed Energy Resources Management System
DOE	Dynamic Operating Envelope
DPV	Distributed Photovoltaic
EBM	Emergency Backstop Mechanism
kW	Kilowatt
MSL	Minimum System Load
MW	Megawatt
NEL	National Electricity Law
NEM	National Energy Market
NER	National Electricity Rules
NSW	New South Wales
OEM	Original Equipment Manufacturer
Opex	Operational Expenditure
PTRM	Post-Tax Revenue Model

Executive Summary

Endeavour Energy is a licenced New South Wales (NSW) distribution network service provider (DNSP) responsible for building, maintaining and operating the electricity network that connects and supplies 2.7 million people in homes and businesses across Sydney's Greater West, the Blue Mountains, Southern Highlands, the Illawarra and NSW South Coast.

We are seeking approval from the Australian Energy Regulator (AER) to recover costs associated with the establishment of an Emergency Backstop Mechanism in NSW (the EBM) as implemented through changes made by the NSW Government to our licence conditions. This application is provided in accordance with cost pass through mechanism outlined in Chapter 6 of the National Electricity Rules (NER).

The licence condition changes introduce new obligations that necessitate significant enhancements to our operational capabilities. At the core of these is a requirement to remotely interrupt or curtail exports from new and upgraded solar generation systems when directed by the Australian Energy Market Operator (AEMO) during a Minimum System Load (MSL) event.

MSL events occur when generation is high and demand is low, creating power system instability and reliability risks that can lead to sudden supply disruptions. AEMO has advised that it is forecasting increasing MSL risks, driven primarily by high rooftop solar output pushing operational demand to very low levels. This creates system security challenges in NSW which necessitate the capability to use emergency backstop measures to maintain system security and reduce the risk of widespread outages.

The licence condition changes also include broader requirements that the NSW Government has deemed necessary to support an effective EBM implementation, including requiring us to integrate our connection processes and associated digital systems with a new NSW Customer Energy Resources Installer Portal (the CER Portal). To ensure the EBM acts as a reliable 'last resort' safeguard during MSL events, the CER Portal will also:

- require installers comply with mandatory safety and technical performance standards and verify that systems meet required connection requirements;
- enable and streamline the registration of new or upgraded rooftop solar and other Customer Energy Resource (CER) installations across all three NSW DNSPs; and
- improve visibility of solar and battery installations by automating data sharing with key regulatory and government agencies to enhance system planning outcomes.

The new obligations require capabilities beyond our existing operations and necessitate significant additional investment in information technology systems, operational processes, and workforce capability. The EBM and CER Portal integrations were not contemplated in the 2024-29 regulatory determination and, as a result, the investment required to comply with these obligations has not been included in our AER-approved expenditure allowance.

Table 1 presents our proposed positive pass through expenditure over the 2024-29 regulatory control period, which is the incremental cost of meeting the changes to our licence conditions made by the NSW Government to implement the EBM, together with the incremental annual expected revenue. These amounts reflect the prudent and efficient investment required to comply with our new licence conditions.

Table 1: Proposed positive pass through amount (\$ million, real 2024)*

\$m; real 2024	FY25	FY26	FY27	FY28	FY29	Total
Proposed positive pass through expenditure	\$2.3	\$13.6	\$9.1	\$6.3	\$4.7	\$35.9
Incremental annual expected revenue (smoothed)**	\$0.0	\$0.0	\$0.0	\$10.8	\$6.2	\$16.9

*Real 2024 dollars are used in this submission to align to the AER's 2024-2029 Endeavour Energy distribution determination final decision.

**Smoothed revenue reflects the incremental revenue requirement reprofiled to the years that proposed revenue recovery will occur.

We propose to recover this amount over a 2-year period starting 1 July 2027 (FY28 and FY29), and we estimate this approach will increase Distribution Use of System (**DUOS**) charges for the average residential customer by approximately \$5.6 in FY28 and \$3.1 in FY29, and for the average small business customer by approximately \$10.0 in FY28 and \$5.6 in FY29 (real, \$2026).

1. Emergency backstop mechanism

1.1 Background

The requirement for amending the New South Wales (NSW) Distribution Network Service Provider (DNSP) licence conditions was first notified to Endeavour Energy via a notice issued by Australian Energy Market Operator (AEMO) in August 2024 that advised rising levels of distributed photovoltaic (DPV) generation were driving reductions in minimum demand and creating a situation where AEMO did not confidently have the sufficient operational levers to operate the power system securely. AEMO noted that challenges could be further exacerbated by atypical events occurring at the same time (like extreme weather events, interconnectors going offline and power station outages) and suggested that the NSW-ACT region could face MSL issues from Spring 2025. Further detail regarding the August 2024 notice is provided in **Attachment [1]**.

To avoid the need to use reverse feeder shedding to maintain system security, AEMO recommended that work by NSW and ACT DNSPs to implement operationally effective emergency backstop capabilities should commence immediately as a priority.

Since the August 2024 letter, AEMO has provided further and ongoing advice regarding the implementation of Emergency Backstop Mechanism (the **EBM**) in NSW. This included updates on the capability required to manage MSL conditions and industry learnings from EBM implementation in other jurisdictions. AEMO's correspondence with the NSW DNSPs throughout the NSW EBM development process is summarised in their letter from January 2026 provided in **Attachment [2]**.

What is “emergency backstop” capability?

This refers to operational measures to reduce aggregate CER generation if required for system security, when other options have been exhausted. This is a critical tool to keep the power system secure under extreme conditions before higher customer impact measures are enacted.

If sufficient emergency backstop capability is not available, the only mechanisms remaining to increase operational demand to the levels required are measures with higher customer impact. This could include a coarse emergency voltage management mechanism to deliberately increase voltage across all connections in broad network areas, which curtails some DPV generation. However under this method, if even greater curtailment is required by AEMO and this blunt tool is not effective enough, the only remaining option is to shed entire distribution feeders that are in reverse flows. This sheds all consumer load on the feeder (hundreds to thousands of customers per feeder, regardless of whether or not they have a solar PV generation system) and therefore has a very high impact on homes and businesses.

In December 2024, we received a letter from the Minister notifying us of the NSW Government's intention to implement an EBM through a variation of the licence conditions for the NSW DNSPs in response to AEMO's notice. The Minister requested that we commence work to support the EBM in advance of these variations. The Minister also requested that we work with the NSW Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) to design and develop a CER Portal to improve compliance with CER standards and facilitate the EBM. This letter is provided in **Attachment [3]**.

In February 2025, DCCEEW published a [consultation paper](#) inviting public stakeholder input to guide the design and scope of the EBM. In May 2025, a [summary report](#) was published, outlining the NSW Government's proposed approach to implementing the operational requirements for the EBM and CER Portal, guided by feedback in stakeholder submissions.

The report indicated DCCEEW would consult with the NSW DNSPs in relation to drafting licence conditions to establish the EBM obligations with the aim of finalising them by Q3 2025. It also indicated that it would provide for a soft launch of the CER Portal from March 2026, to enable a better opportunity for the industry to prepare for the changes before mandatory EBM and CER Portal obligations commenced in June 2026.

Alongside the other NSW DNSPs, we worked closely with DCCEEW over subsequent months to draft the licence conditions to ensure the EBM and CER Portal integration could be implemented quickly and consistently across each distribution network to effectively address power system risks.

In December 2025, the new licence conditions were formalised and Endeavour Energy was notified by the NSW Minister for Energy.

These conditions had a compliance date of 30 June 2026. However, in the first half of 2026 it became apparent that the launch of the CER Portal would be delayed and, following engagement with the NSW DNSPs and DCCEEW on changes required to be made to the licence conditions to accommodate this delay, and the licence conditions were subsequently amended to require compliance from time of the launch date of the CER Portal. These revised licence conditions are provided in **Attachment [4]**.

1.2 Description of new licence conditions

Under our updated licence conditions, we are required to implement capabilities to enable remote curtailment of solar exports and integrate our systems with industry platforms. The conditions also prescribe requirements relating to connection approvals, customer arrangements, testing, reporting and system integration. In summary, we must comply with the following key obligations:

- **Comply with obligations from the “Launch Date”**, being the date set by the NSW Government when the CER Installer Portal becomes operational, from which point key EBM capability, connection, and integration requirements take effect.
- **Maintain and operate a Common Smart Inverter Profile Australia (CSIP-AUS) compliant Utility Server** to enable communication with, and remote curtailment of, solar generating systems (less than 200 Kilowatt (kW)).
- **Only approve compliant solar connections**, including requiring systems to meet CSIP-AUS standards (for systems less than 200 kW) or be capable of communicating with our systems (for systems 200 kW and above).
- **Ensure the capability to remotely curtail solar exports** from new and upgraded systems within mandated timeframes following the Launch Date.
- **Only curtail solar exports in defined circumstances**, including when directed by AEMO (for example during a MSL event), for approved testing, or with customer consent.
- **Include appropriate terms in connection agreements** to enable remote curtailment, application of static export limits, and dynamic export limits where customers opt into flexible exports.
- **Implement and maintain flexible export capability** for eligible solar systems (less than 200 kW).
- **Develop and maintain sufficient operational demand** capability to meet AEMO’s required response during minimum system load events.
- **Establish and undertake regular testing of curtailment capability**, within limits on testing frequency and duration.
- **Monitor system connectivity and apply static export limits where required**, including notifying customers where systems lose communication with the Utility Server.
- **Notify customers and publish information on curtailment events**, including both testing and actual curtailment events.
- **Report to the Minister and AEMO** on connection volumes, system capability and curtailment performance.
- **Integrate Endeavour Energy’s systems with the NSW CER Installer Portal** to support end-to-end connection and compliance processes.
- **Maintain integration with the CER Portal and provide required data** to relevant agencies on an ongoing basis, unless otherwise directed.

The licence conditions provide for a phased implementation of the EBM, helping to minimise disruption for CER installers, resolve early issues in a controlled manner, and ensure the industry is well supported as NSW transitions to the new connection arrangements and CER Portal integration.

Our revised licence conditions are provided in **Attachment [4]**.

1.3 Scope of obligations

Emergency Backstop frameworks have already been established in Victoria, Queensland, South Australia and Western Australia in response to AEMO highlighting the need for export curtailment capabilities. Although obligations vary across jurisdictions, they each share a core requirement for their respective DNSPs to only connect compliant solar systems and be capable of remotely curtailing their exports when directed by AEMO.

Emergency Backstop has been operationally required on several occasions, most notably in November 2022 when AEMO instructed extensive curtailment of DPV across several days to maintain power system security following storm damage in South Australia. SA Power Networks applied a range of mechanisms to curtail DPV, with curtailment lasting between four and nine hours each day, reaching a maximum of approximately 410 Megawatt (MW).¹ This capacity response represented the full extent of SA Power Network's abilities.

Several aspects of our new licence requirements are consistent with obligations for DNSPs operating in other NEM jurisdictions with an EBM in place. This includes the obligation to maintain a CSIP-AUS compliant Utility Server capable of communicating curtailment signals to EBM-enabled DPVs. However, the scope of these obligations is markedly broader for the NSW DNSPs as it includes requirements to also deliver the following services and outcomes.

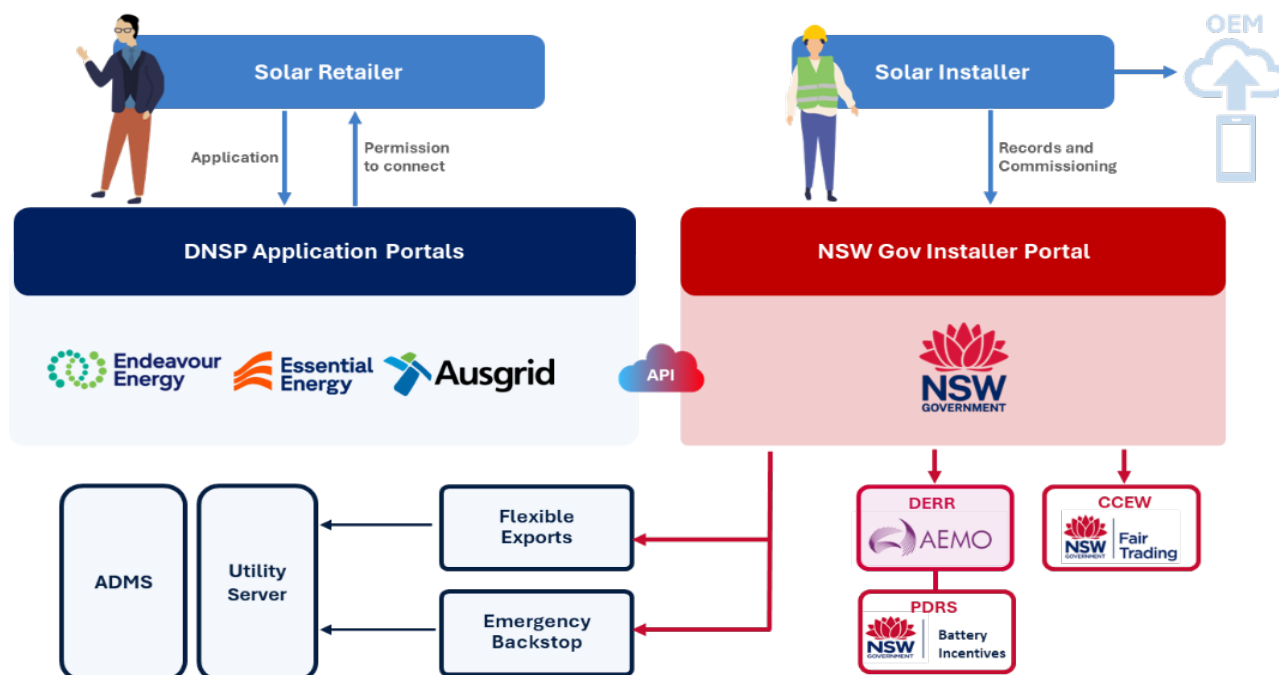
1.3.1 Integrate connection processes with the CER Portal

The CER Portal is designed to allow a consistent and streamlined digital process for CER installers across NSW to register, test and submit required data for CER devices to the NSW DNSPs. Integration of existing DNSP systems with the centralised platform is needed to enable a smooth rollout and deliver an uplift in compliance to technical standards (which, in NSW, has consistently and considerably lagged levels in other jurisdictions).

Figure 1 provides a high-level overview of how the CER Portal will act as the key conduit for CER data between NSW DNSPs, installers and regulators to improve data visibility and support grid stability. A video explaining the purpose and benefits of the CER Portal can be viewed [here](#).

¹ AEMO, [Reviewable Operating Incident Report: Trip of South East – Taillem Bend 275 kV lines on 12 November 2022](#), May 2023, p.10

Figure 1: NSW CER Installer Portal interactions



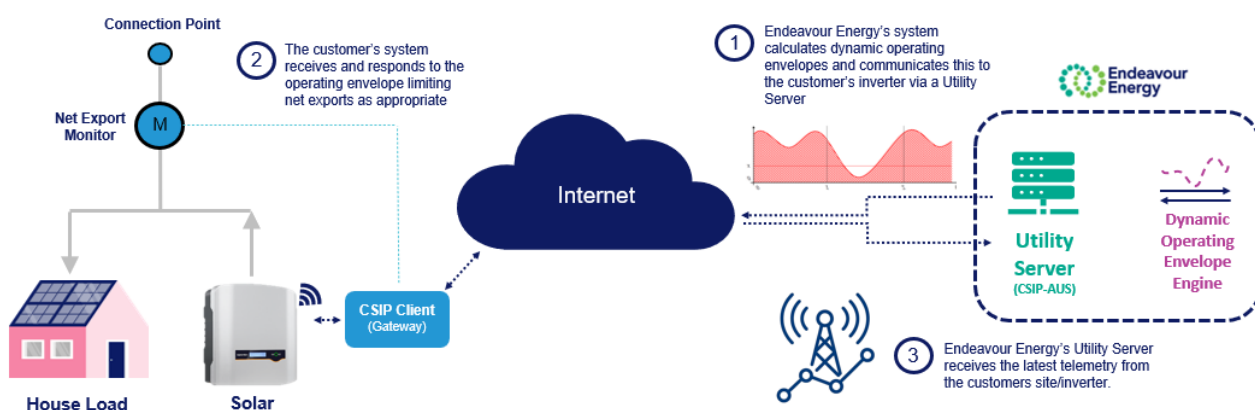
Source: Endeavour Energy (2026).

1.3.2 Establish flexible exports as a connection service

By leveraging the mandated remote export curtailment capabilities required for the EBM, flexible exports allows DNSPs to proactively manage localised voltage and thermal constraints and supports larger DPV connections and more solar exports without the need for immediate and more costly network augmentation. The service also provides DPV customers the opportunity to reduce their energy costs by having a higher export limit which is dynamically adjusted in response to real-time network conditions.

Flexible exports does not affect how, when, or how much solar energy a customer can consume to power their home or business. It only impacts exports to the grid at the point of connection. Under our proposed flexible export connection offering, solar customers will be able to export up to 10 kW of excess solar (double the current fixed export limit) most of the time, with export limits dynamically calculated and updated based on network conditions and communicated to customer systems as shown in Figure 2.

Figure 2: Flexible exports process flow



Source: Endeavour Energy (2026).

1.3.3 Deploy complimentary measures to deliver the operational response required by AEMO

Complimentary measures relate to tools in addition to remote export curtailment that are needed to restore grid balance, particularly in the short-to-medium term when the cumulative capacity of EBM-enabled DPV is low and curtailment alone may be insufficient. In the absence of suitable complimentary measures, managing an MSL event would require high customer impact interventions like reverse feeder shedding.²

In January 2026, AEMO issued a letter advising the NSW/ACT DNSPs to use best endeavours to develop and maintain control over an estimated level of additional operational demand capacity (refer to **Attachment [2]**).

As shown in **Table 2**, AEMO deemed that Endeavour Energy be required to have the capability to deliver 35% of the total additional response using measures other than active curtailment via CSIP-AUS.

Table 2: AEMO's operational demand increase capability requirements

Forecast operational demand capacity	Oct 2025	Oct 2026	Oct 2027
Estimated total operational demand increase requirement (MW) (a)	296	Up to 467	Up to 812
Estimated capability from active management via CSIP-AUS (MW) (b)	-	12	224
Total additional emergency backstop requirement (MW) (a-b)	296	455	587
<i>Endeavour Energy</i>	<i>104</i>	<i>159</i>	<i>206</i>
<i>Essential Energy</i>	<i>86</i>	<i>132</i>	<i>170</i>
<i>Ausgrid</i>	<i>83</i>	<i>127</i>	<i>164</i>
<i>Evoenergy</i>	<i>24</i>	<i>36</i>	<i>47</i>

Source: AEMO (2026).

² Examples of interim complimentary measures may include battery control strategies, hot water and controlled load shifting, voltage management (e.g. voltage raise), enrolment incentives for existing large-scale solar systems. These methods are not expected to be suitable to meet the licence requirements or technical MSL risk mitigation in the long term or at scale.

2. Cost pass through framework

The cost pass through provisions in clause 6.6.1 of the National Electricity Rules (**NER**) enables DNSPs to apply to the Australian Energy Regulator (**AER**) to recover efficient costs incurred, or likely to be incurred, due to unforeseen events that could not be forecast as part of their regulatory proposal. These positive change events occur when the conditions of one of the four prescribed pass through events under the National Electricity Rules (**NER**) or an approved nominated pass through event in a distribution determination are met and lead to a material increase in costs. Under the cost pass through framework, an increase in costs is considered material when it exceeds one per cent of the DNSP's Annual Revenue Requirement (**ARR**) for the relevant year within the regulatory control period.

In seeking approval to pass these costs through to customers, the NER requires the DNSP to submit a written statement³ to the AER within 90 business days of the relevant positive change event occurring⁴ which must address the matters specified in clause 6.6.1(c) of the NER including:

- the details of the positive change event;
- the date on which the positive change event occurred;
- the eligible pass through amount in respect of the positive change event;
- the positive pass through amount we are proposing in relation to the positive change event;
- the amount of the positive pass through amount that we propose should be passed through to distribution network users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred; and
- evidence:
 - of the actual and likely increase in costs referred to in clause 6.6.1(c)(3) of the Rules; and
 - that such costs occur solely as a consequence of the positive change event; and
 - such other information as may be required under any relevant regulatory information instrument.

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

- the approved pass through amount; and
- the amount of the approved pass through amount that should be passed through to distribution network users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred.

Unless an extension is required, the AER must make its determination within 40 business days of receiving the written statement or any subsequent supporting information from the DNSP. In making its decision, the AER must consider the factors listed in clause 6.6.1(j) of the NER.

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. The NEL also specifies the revenue and pricing principles.⁵ Of relevance to this application is the principle that a regulated network service provider should be provided with a reasonable opportunity to recover at least the efficient costs the operator incurs in providing direct control services and complying with a regulatory obligation or requirement.⁶

³ At times, 'written statement' is referred to in this document as 'application'.

⁴ Clause 6.6.1(k) of the NER requires the AER to extend the 90-day time limit by written notice to the DNSP if it is satisfied that the difficulty of assessing or quantifying the effect of the relevant pass through event justifies the extension. Section 2.1 outlines the compliance of this submission with the pass through timing requirements.

⁵ Section 7A of the NEL.

⁶ NEL, section 7A(2).

This document and supporting attachments constitute our written statement to the AER to recover a positive pass through amount of **\$16.9 million (real, \$2024)**.⁷ In the sections below we:

- nominate the relevant positive change event pertinent to our application;
- specify the date on which the positive change event is deemed to have occurred;
- demonstrate how the materiality threshold requirement has been met; and
- confirm contingent projects or expenditure for restricted assets are not included.

2.1 Positive change event

The positive change event that is the subject of this application is the introduction of the Emergency Backstop Mechanism for NSW (**the EBM**), and associated requirements to develop flexible export capabilities and integrate with the NSW Department of Climate Change, Energy, Environment and Water (**DCCEEW**) consumer energy resources (**CER**) portal, implemented via new licence conditions on Endeavour Energy and other NSW DNSPs.

The introduction of the EBM in NSW was first flagged to Endeavour Energy on 23 August 2024 by AEMO, in a letter which identified an urgent need to implement emergency backstop curtailment capability for distributed photovoltaic installations and sought DNSP's to commence works as an immediate priority to establish that capability. On 20 December 2024 the Minister for Energy notified Endeavour Energy of the NSW Government's intention to implement an EBM through a variation of the licence conditions for the NSW DNSP in response to AEMO's notice. Following a period of consultation, the new licence conditions were formally made and notified to Endeavour Energy in December 2025.

The NER permits a cost pass through for each of the following defined events:

- a regulatory change event;
- a service standard event;
- a tax change event;
- a retailer insolvency event; and
- any other event specified in a distribution determination as a pass through event for the determination (which in Endeavour Energy's case concern insurance caps, insurer's credit risk, natural disasters and terrorism).

We consider that the changes to our licence conditions made by the NSW Government to implement EBM constitutes a service standard event. The NSW Energy Minister (the Minister) has applied legislative powers bestowed to them in Schedule 2, clause 7(1) of the Electricity Supply Act 1995 (NSW) to vary our licence conditions to give effect to the EBM. The NER defines a **service standard event** as:⁸

A legislative or administrative act or decision that:

a. has the effect of:

- substantially varying, during the course of a regulatory control period, the manner in which a Distribution Network Service Provider is required to provide a direct control service; or*
- imposing, removing or varying, during the course of a regulatory control period, minimum service standards applicable to direct control services; or*
- altering, during the course of a regulatory control period, the nature or scope of the direct control services provided by the distributor; and*

⁷ Expenditure and pass through amounts are presented in real FY2024 terms, aligning with the AER's 2024-2029 Endeavour Energy distribution determination final decision.

⁸ NER, chapter 10

b. materially increases the costs to the service provider of providing the direct control services.

The EBM event occurred during the course of the current regulatory control period which commenced on 1 July 2024 as the licence condition amendments were made in December 2025, and the requirement to develop the EBM capabilities was first advised in August 2024.

The AER has previously recognised that introducing new licence conditions is an act or decision of an administrative character.⁹ The Minister's decision to vary our operating licence can therefore reasonably be considered, in the context of the NER definition for a service standard event, to be an administrative act or decision that alters the nature and scope of direct control services we are required to provide.

The AER determined the definition of a service standard event was satisfied for the pass through applications submitted by Victorian and South Australian DNSPs following equivalent emergency backstop mechanisms being established in their respective states. In Victoria, the EBM was also implemented via an amendment to distribution licences.

Given the NSW Government has also applied its legislative powers to update our licence conditions and the substantial similarities in the obligations that are set out in them with other EBM-enacted NEM jurisdictions, we consider the variation to our licence conditions also constitute a service standard event. In the event the AER for any reason considers our new licence obligations do not qualify as a service standard event, we propose this application would then meet the definition of a regulatory change event.¹⁰

2.2 Pass through event date

The EBM was a single service standard event that commenced with the August 2024 letter from AEMO which identified the urgent need to implement the emergency backstop. The AEMO letter also highlighted:

- the potential for a jurisdictional regulatory requirement to be used to support the introduction of EBM;
- that the NSW Minister had been formally advised of the matter; and
- that NEM Ministers (including the NSW Minister) had endorsed the CER Roadmap on 19 July 2024 which included a national reform priority to implement a robust and reliable backstop capability by the end of 2025.

We submit that the date on which the pass through event occurred was 10 December 2025, when the new licence conditions were formally made and were notified to Endeavour Energy by the NSW Minister for Energy. This is the date that formally concluded the NSW Government's process to establish the EBM and set out the requirements for NSW DNSPs to deliver capabilities necessary to deliver it. The letter from the NSW Minister for Energy is provided in **Attachment [5]**.

The notice from the Minister and the accompanying licence variations reflect the final administrative action that confirms the changes to our mandatory and enforceable obligations. It also marks the earliest date for us to have had certainty of the scope of services we are required to provide, enabling us to estimate with reasonable confidence and accuracy the cost impact of those changes and whether these meet the criteria for a positive change event.

2.2.1 Timing of the cost pass through application

Based on the pass through event date of 10 December 2025, the 90-business day period for pass through application would have concluded on 23 April 2026. On 23 February 2026 Endeavour Energy submitted a request to the AER under clause 6.6.1(k) of the NER for an extension to submit this cost pass through beyond the standard 90 business day limit (refer to **Attachment [6]**)

The need for the extension of time was due to:

- The timing of the notice of new licence conditions occurred during a holiday period;

⁹ AER Determination, Essential Energy Critical Infrastructure License Condition cost pass through, March 2022, p. 10

¹⁰ The NER defines a regulatory change event as a change in a regulatory obligation or requirement that: (a) falls within no other category of pass through event; and (b) occurs during the course of a regulatory control period; and (c) substantially affects the manner in which the DNSP provides direct control services; and (d) materially increases or decreases the costs of providing those services.

- Key procurement activities associated with the project that were still ongoing;
- more closely aligning the pass through to AEMO's implementation timeline, allowing for a better understanding of the incremental costs associated with implementing the required capabilities and additional time for further customer and stakeholder engagement on the matter.

On 5 March 2026 the AER extended the time for Endeavour Energy to submit its cost pass through application until 30 June 2026 (refer to **Attachment [7]**).

By submitting this application to the AER on 30 June 2026, the NER requirements with respect to the timing of the cost pass through submission, set out in 6.6.1(c) and 6.6.1(k), have been satisfied.

2.3 Cost materiality

For the AER to approve our proposed positive pass through amount, we must demonstrate that the relevant pass through event has caused an increase in the costs of providing direct control services. Under the NER, a cost impact is considered material where, in any year during the regulatory control period, the resulting change in costs exceeds one per cent of the DNSP's allowed revenue for that year.

The incremental Capital Expenditure (**Capex**) and Operational Expenditure (**Opex**) required to comply with our new licence conditions to implement the NSW EBM exceeds one per cent of the ARR in FY2026.

Table 3 demonstrates that our change in costs due to the introduction of the EBM licence conditions satisfies NER materiality requirements as incremental costs exceed the materiality threshold in FY26.

Table 3: Cost pass through materiality requirement (\$ million, real 2024)

\$m; real 2024	FY25	FY26	FY27	FY28	FY29
Incremental expenditure	\$2.3	\$13.6	\$9.1	\$6.3	\$4.7
ARR (unsmoothed) ¹¹	\$1,139.0	\$1,054.8	\$1,061.6	\$1,008.4	\$990.1
Materiality (%)	0.2%	1.3%	0.9%	0.6%	0.5%

2.4 Contingent projects and restricted assets

The NER definition of a positive change event excludes contingent projects or associated trigger events. Similarly, the NER requires that the proposed positive pass through amount not include any expenditure for a restricted asset, unless in conjunction with a request for an asset exemption.

Endeavour Energy did not propose any contingent projects in our 2024-29 regulatory proposal. Subsequently, the AER's 2024-29 regulatory determination did not provide for a contingent project. We also confirm expenditure associated with this pass through is not related to restricted assets.

¹¹ Endeavour Energy 2024-29, Post-tax revenue model, 2026-27 return on debt update, April 2026.

3. Capability uplift

The updated licence conditions require Endeavour Energy to implement new capabilities that go beyond our existing business-as-usual operations, and that were not contemplated during our 2024-29 regulatory determination. These changes represent a step change in how Distributed Energy Resources (**DER**), particularly rooftop solar, are connected, monitored and managed across the network.

The capability uplift spans multiple dimensions, including technology systems, connection processes, organisational capability and industry coordination. These capabilities are being delivered through our Flexible Exports and EBM program (**the Program**).

This section outlines the nature of the capability uplift required and how these capabilities are being delivered.

3.1 Nature of the capability uplift

The new licence conditions outlined in Section 1.2 require Endeavour Energy to transition from a largely passive DER connection model to one that supports active, real-time management of distributed energy resources across the network.

Historically, rooftop solar exports have been managed through static connection limits, with limited real-time visibility or control. Under the EBM, we are required to actively monitor and manage DER output, including the ability to remotely curtail solar exports at scale and respond to system security events when directed by AEMO. This represents a fundamental shift in both capability and operational responsibility.

The EBM requires Endeavour Energy to establish new interrelated capabilities, which are outlined below.

3.1.1 Curtailment, communication and control capability

To meet the requirements of the EBM, we must implement new technology systems that enable direct interaction with individual customer solar generating systems at scale.

This capability is underpinned by the deployment of a CSIP-AUS compliant Utility Server, which acts as the interface between Endeavour Energy and customer inverters, enabling secure two-way communication and control. This is supported by new control system capabilities required under the EBM licence conditions, including real-time monitoring of device connectivity and performance, coordinated control of DER at scale, and the implementation of dynamic export limits through a dedicated Dynamic Operating Envelope (**DOE**) engine. The Advanced Distribution Management System (**ADMS**) is then integrated with these systems to operate together and issue curtailment signals, restore exports, and dynamically adjust export limits in response to network conditions.

These capabilities underpin our ability to respond to AEMO directions, maintain system security during MSL events, and ensure that connected systems can reliably respond to control signals in a consistent and coordinated manner.

3.1.2 System integration and external interfaces

The EBM requires integration across a range of internal and external systems to support end-to-end DER management and compliance.

This includes integration across the following key external interfaces:

- The NSW CER Installer Portal, to facilitate compliant connection processes;
- Original Equipment Manufacturer (**OEM**) systems, to enable device-level communication and onboarding; and
- AEMO systems, to support communication and response during system events.

Internally, system integration is required across connection platforms, operational systems and customer interfaces to enable a seamless connection journey and ongoing management of DER.

These integrations are essential to enable real-time data exchange, coordinated control of DER, and consistent application of connection and compliance requirements. They also introduce additional complexity, requiring secure and reliable interoperability across multiple platforms and stakeholders.

3.1.3 Readiness and change management

The introduction of the EBM requires significant changes to connection processes, operational procedures and stakeholder interactions. This necessitates a structured program of readiness and change management to support implementation.

We must uplift our connection processes and compliance framework to reflect new licence obligations across the connection lifecycle. This includes validating system compliance prior to connection, testing curtailment capability at installation, and monitoring system connectivity and performance on an ongoing basis.

These changes also require updates to internal processes, technical standards and operational procedures, as well as training and enablement of internal teams to support new workflows. Externally, installers, OEMs and customers must be supported to understand and adopt new requirements, processes and systems.

These activities are essential to ensure a smooth transition to the new connection framework and to support sustained compliance with the licence conditions.

3.1.4 Ongoing support and organisational capability uplift

The EBM introduces additional complexity into the customer solar connection process, including new technical requirements, testing procedures and compliance obligations. This creates an ongoing need for enhanced support and organisational capability to operate and sustain the new processes and systems.

In particular, installers are required to undertake additional steps during commissioning, including device registration, connectivity validation and capability testing. Supporting installers through these processes requires dedicated technical and operational support to resolve issues, provide guidance and ensure systems are compliant at the point of connection. This increases the level of resourcing required to support these activities and ensure they are completed correctly.

Ongoing capability is also required to monitor system performance and connectivity, manage communication outages, respond to enquiries, and support customers during curtailment events. This includes increased volumes of installer and customer interactions, as well as enhanced monitoring and reporting obligations associated with the EBM.

To support these activities, Endeavour Energy is establishing additional organisational capability across engineering, technology and frontline support functions, including the NexGrid team who will provide a dedicated frontline support function for installers, customers and industry participants navigating new connection processes and compliance requirements. These functions provide the resources required to operate the EBM on an ongoing basis and support compliance with licence conditions.

These capabilities are necessary to sustain the technical and process changes introduced by the EBM and are reflected in the incremental labour and support costs outlined in Section 4.4.

3.2 Program delivery approach

The capability uplift required from new licence conditions is being progressed through the Program. The Program is a major strategic initiative that supports the introduction of the EBM and ensures compliance with our obligations by modernising how customer solar is integrated, monitored, and controlled across the network. The Program has been designed to deliver the required capabilities in an efficient manner, with scope and investment targeted to meet the specific requirements of the licence conditions.

Developed with internal and external collaboration, including engagement with AEMO, the NSW Government and other NSW DNSPs, the Program contemplates the full range of technical, operational, and regulatory requirements needed to facilitate solar export curtailment across the whole Endeavour Energy network and meet the timelines for compliance. The approach has also been informed by lessons learnt from other jurisdictions where similar capabilities have already been implemented.

The Program accelerates our transition to dynamic grid management using real-time data which has been brought forward significantly by the new licence obligations. Meeting these obligations requires expanding and maturing our capability to enable more DPV systems to participate in the flexible exports connection service, while ensuring we can intervene when necessary to maintain a safe, secure, and reliable system.

Prior to the EBM, Endeavour Energy was pursuing a modest trial to explore flexible export capabilities in selected areas. However, that would not have met the timing, nor the scope and scale of capabilities required to meet the licence conditions. The Program was able to utilise the learnings from this trial, achieving efficient outcomes for Endeavour Energy's customers.

A core objective of the Program is to efficiently coordinate the design and delivery of system enhancements that ensure seamless interoperability between customer solar technologies, our internal systems, the CER Portal, and other external platforms. In doing so, the Program also addresses the broader supporting requirements of cyber security, installer and customer management, network operations, connections processes and compliance governance. This coordinated approach avoids duplication of effort and ensures that expenditure is limited to the efficient cost of delivering the capabilities required to meet the licence conditions.

The capabilities outlined in Section 3.1 will be progressed and delivered through the Program.

3.3 Changes to our operating model and organisation

Delivering the EBM efficiently and effectively requires more than the implementation of new systems. It also requires a fundamental change to Endeavour Energy's operating model to support new processes, roles and ways of working.

We have undertaken a detailed review of our operating model to identify the organisational changes required to support delivery of the EBM. This includes updates to connection processes, enhancements to system monitoring and control activities, and new approaches to managing customer and installer interactions.

These changes require revised workflows across the customer solar connection lifecycle, new and expanded roles across engineering, technology, customer support and change management functions, and increased coordination across internal teams and external stakeholders.

To support this uplift, we are establishing new and expanded capability across several functional areas. This includes dedicated engineering capability to support control systems design, integration and operation, enhanced technology capability to build and maintain required platforms and integrations and change management capability to support organisational readiness and stakeholder transition.

In addition, new service functions such as the NexGrid support team are being established to provide a central point of contact for installers and customers, supporting connection processes, compliance requirements and ongoing operational enquiries.

These changes ensure that Endeavour Energy has the organisational capability required to deliver and sustain EBM functionality on an ongoing basis.

3.4 Industry collaboration and implementation

The implementation of the EBM requires coordination across a broad range of industry participants, including AEMO, Transgrid, other DNSPs, OEMs, installers, technology providers and government agencies.

To support implementation, Endeavour Energy has engaged extensively with industry stakeholders to develop a clear understanding of the technical, operational and compliance requirements associated with the EBM. This engagement has informed system design, process development and alignment with key industry frameworks such as CSIP-AUS and the NSW CER Installer Portal.

Key stakeholders engaged include:

- **AEMO and Transgrid**, to align on operational protocols, system security requirements and response expectations during MSL events;

- **NSW and interstate DNSPs**, to support alignment on technical standards, testing requirements and connection processes;
- **the NSW Government**, including DCCEE, in relation to policy, regulatory requirements and CER Portal development; and
- **solar industry participants**, including installers, OEMs and accreditation bodies, to ensure practical implementation of new requirements.

We have also drawn on lessons learned from jurisdictions such as South Australia and Victoria, where similar capabilities have been implemented. These experiences highlight the importance of robust testing, effective stakeholder support and clear, consistent processes to achieve high levels of compliance and minimise disruption during rollout.

Industry collaboration has been critical in shaping our approach to capability development and implementation. Engagement will continue through to the Launch Date and beyond to support industry readiness, address implementation challenges as they arise and ensure the successful transition to ongoing EBM operations.

4. Cost impact

4.1 Cost overview

The changes to our licence conditions require us to spend additional expenditure during the 2024-29 regulatory control period that would not have otherwise been incurred in the absence of these changes. This incremental expenditure totals **\$35.9 million (real, 2024)** across the regulatory control period and reflects the efficient costs associated with establishing and operating the capabilities required to comply with the EBM and associated licence condition changes.

We have grouped incremental expenditure into three categories that reflect the key capability areas required to deliver the EBM. Each category comprises both Capex and Opex and includes both labour and non-labour costs. The three cost categories are:

- **Utility Server, Flexible Exports and Control Systems** – costs associated with the development and delivery of the core technical capabilities required to enable remote curtailment and flexible exports functionality. These include the new Utility Server, DOE engine and related integrations, control, communications and cyber security capabilities, and supporting engineering labour required to design, implement and operate these systems.
- **Operational Readiness and Industry Support** – costs associated with preparing Endeavour Energy and industry stakeholders for the implementation of the EBM and providing ongoing operational support to deliver new obligations. These include operating model design, stakeholder engagement, training and onboarding, testing capability, customer communications, legal advisory services, and frontline support functions for installers, customers and industry such as NexGrid.
- **Connection and NSW CER Installer Portal Integration** – costs associated with the technical system integration required to enable compliant DER connections and integrating Endeavour Energy's systems with the NSW CER Installer Portal and other external platforms. These costs support end-to-end connection processes, including system integration, customer and installer interfaces, and interoperability across internal systems and industry participants.

These categories reflect the primary drivers of cost increases associated with the EBM positive change event, separating core control system capability, integration of connection processes with industry platforms, and the organisational and stakeholder activities required to implement the changes effectively.

Table 4 provides a summary of the incremental Capex and Opex across each cost category as a result of the positive change event.

Table 4: Total incremental expenditure to comply with licence condition changes (\$ million, real 2024)

\$m; real 2024	FY25	FY26	FY27	FY28	FY29	Total
Capex						
Utility Server, Flexible Exports and Control Systems	\$0.8	\$8.1	\$2.9	\$0.7	\$0.0	\$12.4
Operational Readiness and Industry Support	\$0.3	\$2.1	\$1.8	\$0.3	\$0.0	\$4.5
Connection and NSW CER Installer Portal Integration	\$1.2	\$2.7	\$2.1	\$0.6	\$0.0	\$6.6
Total Capex	\$2.3	\$12.9	\$6.8	\$1.6	\$0.0	\$23.5
Opex						
Utility Server, Flexible Exports and Control Systems	\$0.0	\$0.0	\$1.2	\$2.9	\$3.0	\$7.1
Operational Readiness and Industry Support	\$0.0	\$0.6	\$1.0	\$1.5	\$1.3	\$4.4
Connection and NSW CER Installer Portal Integration	\$0.0	\$0.0	\$0.2	\$0.4	\$0.4	\$1.0
Total Opex	\$0.0	\$0.7	\$2.3	\$4.8	\$4.7	\$12.4
Total expenditure	\$2.3	\$13.6	\$9.1	\$6.3	\$4.7	\$35.9

A detailed cost build-up model is provided as a confidential attachment (**Attachment [8]**).

4.2 Cost build-up approach

We have undertaken the following steps to develop our cost estimate:

- Assessed each new requirement arising from the updated licence conditions;
- Identified the incremental capability uplift required to achieve compliance on an ongoing basis;
- Developed an operating model to support delivery of these capabilities, including system upgrades and new processes;
- Determined the additional resourcing and delivery partner requirements necessary to design, build, test and implement the required solutions;
- Estimated costs using role-based labour rates aligned to actual and expected resourcing requirements, and vendor pricing for systems and specialist services; and
- Reviewed and validated the cost estimates through internal governance processes to ensure accuracy and prudence.

The cost estimate includes actual expenditure incurred in FY25 and FY26 and forecast expenditure for FY27 to FY29.¹²

This structured approach to estimating the increased costs required to comply with the updated licence conditions is designed to ensure that:

- all costs included in the application are incremental and arise solely as a consequence of the new licence obligations; and
- expenditure is captured in a manner that is consistent with Endeavour Energy's accounting and governance frameworks.

¹² FY26 costs include actual expenditure through to the end of May 2026. Actual costs for June 2026 are not available due to the timing of this submission and have therefore been forecast based on observed expenditure across FY26. Forecast costs have also been applied for the remainder of the regulatory control period (FY27 to FY29).

4.2.1 Actual expenditure

Actual costs reflect expenditure that has been incurred as a result of positive change event in order to progress the EBM capabilities and meet all requirements of the licence conditions through the Program.

Consistent with the requirements of the NER, we have included only those costs that are incremental and incurred solely as a result of the updated licence conditions. Both labour and non-labour costs have been captured across Capex and Opex categories.

Costs have been recorded in a manner consistent with Endeavour Energy's accounting framework. Expenditure has been captured through project and work order structures associated with the Program, enabling costs to be identified, tracked and distinguished from business-as-usual activities.

Cost entries have been reviewed to confirm that they are directly attributable to EBM-related activities and excluded where they do not meet the incremental cost criteria. Each cost item has been classified as either Capex or Opex in accordance with our accounting policies.

This process provides assurance that actual expenditure included in this application is complete, accurately recorded, and clearly distinguishable from business-as-usual network expenditure.

4.2.2 Forecast expenditure

Forecast costs represent our best estimate of the efficient expenditure required to complete implementation and support ongoing compliance with the updated licence conditions over the remainder of the regulatory period.

Forecast costs are based on detailed project planning, including system design, integration requirements, testing activities and operating model development. These forecasts incorporate both labour and non-labour cost components across Capex and Opex.

Forecast labour costs have been estimated using Endeavour Energy's internal labour rates, based on the specific roles required to deliver the EBM, noting that these roles are incremental to the existing business.¹³ These rates reflect actual internal costs and provide a reliable estimate of the additional resourcing required to implement and operate the EBM. Non-labour costs, including technology platforms, system integration and specialist services, are based on vendor pricing, comparable projects and internal cost estimates where appropriate.

Where possible, forecast costs have been informed by actual costs incurred to date, providing a robust basis for estimating future expenditure. This includes leveraging observed delivery costs and applying them to remaining work scopes to ensure consistency and accuracy.

The forecasting approach is designed to establish the efficient cost of delivering the required capability uplift, while avoiding double counting and ensuring only incremental expenditure is included.

4.3 Incremental costs

We have carefully reviewed all expenditure included in this application to ensure that only incremental costs associated with the introduction of the EBM licence conditions are captured. These costs would not have been incurred in the absence of the updated licence conditions and represent new expenditure required to establish and operate the capabilities and meet the requirements described in Section 3.

The incremental costs within each category are summarised below.

4.3.1 Utility server, flexible exports and control systems

This category includes costs associated with establishing the core technical capability required to deliver remote curtailment and flexible exports functionality. Key cost components include:

- deployment and operation of the CSIP-AUS compliant Utility Server;

¹³ Further detail on labour rates is provided in Section 4.4.2.

- development of flexible exports capability, including DOE Engine and supporting optimisation platforms;
- communications, security and compliance systems, including national energy public key infrastructure;
- supporting field infrastructure and backstop capability upgrades;
- data and analytics platforms to support DER visibility and optimisation, including Databricks;
- secure cloud infrastructure, including Azure protected landing zone implementation; and
- internal engineering resources required to design, implement and support these systems.

These costs are largely internal to Endeavour Energy and represent the foundational systems required to comply with the EBM licence conditions. They relate to new control and communication capabilities that extend beyond existing network operations, and due to the expanded scope and accelerated timeline for the introduction of flexible export capabilities that go beyond what the original trial set out to achieve.

4.3.2 Operational readiness and industry support

This category includes costs associated with organisational readiness, industry engagement and ongoing support required to implement and operate the EBM.

Key cost components include:

- operating model design, organisational readiness and change management activities;
- stakeholder and industry engagement;
- customer communication and education materials;
- testing capability, facilities and equipment (including the Testing and Training Lab);
- training, onboarding and readiness activities;
- legal and advisory services; and
- establishment and operation of frontline support functions, including NexGrid capability.

This category reflects the need to prepare both Endeavour Energy and industry participants for the introduction of the EBM, as well as provide ongoing support to ensure compliance, resolve issues and maintain effective operation of new processes and systems. These activities arise from the introduction of new connection processes, stakeholder requirements and operational support functions associated with the EBM.

4.3.3 Connection and NSW CER installer portal integration

This category includes costs associated with the technical system integration required to enable compliant DER connections and integrate Endeavour Energy's systems with the NSW CER Installer Portal and other external platforms.

Key cost components include:

- system integration with the CER Installer Portal, including application programming interface development;
- upgrades to internal connection systems (for example, PEGA and associated applications);
- integration with third-party platforms and services;
- cloud hosting and supporting IT infrastructure;
- data services and licensing to support DER connections and compliance; and
- customer and installer interaction platforms (including Salesforce).

This category reflects the significant technical integration and coordination of systems required to support end-to-end connection processes and ensure compliance with the licence conditions. These activities support the transition to a more integrated and digitally enabled connection framework.

4.4 Labour resources

4.4.1 Incremental capability

The Program has required a combination of permanent and on-going labour resources to deliver the capability uplift associated with the EBM. To ensure that only costs that are solely attributable to the EBM

licence conditions are included, we have taken the conservative approach of only including labour that is new and attributable to the new licence conditions in the eligible pass-through amount.

The incremental labour requirement reflects the need to establish new organisational capabilities to deliver, operate and support EBM functionality. This includes capability across four key areas.

- **NexGrid customer support services** provide a dedicated frontline support function for installers, customers and industry participants navigating new connection processes and compliance requirements. This capability is required to manage increased enquiry volumes, support commissioning and testing activities, and ensure timely resolution of technical and process-related issues.
- **Engineering capability** provides specialised technical expertise to design, implement and operate the control systems underpinning the EBM. This includes supporting the deployment and ongoing operation of the DOE Engine, the Utility Server and flexible exports, managing system integration, and resolving technical issues to ensure reliable curtailment capability at scale.
- **Technology capability** supports the design, integration and operation of the technology platforms required to deliver EBM functionality. This includes system architecture, platform development, integration of internal and external systems, and ongoing infrastructure and application support to ensure availability, performance and security of critical systems.
- **Change management capability** supports organisational readiness and the transition to new processes, systems and ways of working required by the EBM. This includes program delivery, stakeholder engagement, communications, training and adoption activities to ensure that both internal teams and external stakeholders can effectively operate within the new framework.

These capability areas reflect the minimum functional uplift required to deliver and sustain EBM operations and underpin both the implementation phase and ongoing compliance activities.

Further detail is provided in **Attachment [8]**, which includes the forecast labour resource plan used to develop the labour cost estimates.

4.4.2 Labour rates

Labour costs for FY25 and FY26 reflect actual expenditure based on Endeavour Energy's internal labour rates. Forecast labour costs for FY27 to FY29 have been estimated using these internal rates, based on the specific roles required to deliver the EBM, noting that these roles are incremental to the business prior to the positive change event. This approach ensures the forecast reflects the actual cost of the additional resourcing required to deliver and operate the EBM capabilities.

These internal labour rates are based on role-aligned hourly rates that incorporate base salary, superannuation and overheads. As such, they reflect Endeavour Energy's actual labour costs and provide a reliable estimate of expected expenditure over the regulatory control period.

Forecast labour costs have also been escalated using real wage price escalation assumptions consistent with Endeavour Energy's 2024–29 distribution determination.¹⁴ This provides consistency with regulatory precedent and reflects expected increases in labour costs over time.

To further minimise costs to customers, Endeavour Energy will temporarily utilise existing internal resources during the initial implementation phase without backfilling these roles. The cost of these resources has not been included in the pass-through amount.

4.4.3 On-going support roles

A total of seven ongoing full-time equivalent roles has been identified as the minimum required to support ongoing operations, comprising four NexGrid support roles and three engineering capability roles.

These roles have been derived through development of the target operating model for the Program, which identified the ongoing resourcing required to support EBM functionality and operations.

¹⁴ Endeavour Energy distribution determination 2024-29, Opex model, April 2024.

These roles represent the minimum level of incremental labour required to support system operation, stakeholder engagement and compliance activities on an ongoing basis.

4.5 Prudent and efficient costs

We have taken care to “right size” our resourcing and technology investments to ensure that the cost of complying with our licence conditions is both prudent and efficient.

This approach is consistent with our broader operating philosophy and is reflected in our relative efficiency performance as one of the most efficient DNSPs in the NEM.

In developing our cost estimates, we have:

- applied role-based labour rates to estimate efficient labour costs, aligned to the resourcing required to deliver the licence conditions;
- utilised established procurement processes and engaged with reputable vendors to achieve value-for-money outcomes; and
- limited system capability to that required to meet licence obligations, avoiding over-specification.

The cost impact presented in this application represents the minimum efficient expenditure required to comply with the EBM licence conditions and deliver the associated capability uplift.

5. Eligible pass through amount

The NER requires a pass through application to include the eligible pass through amount, the proposed positive pass through amount and the proposed negative pass through amount that should be passed through to customers in each regulatory year. This requirement is addressed in this section.

5.1 Positive pass through amount

We have calculated an eligible pass through amount of **\$35.9 million (real, 2024)** which includes cost incurred and likely to be incurred from providing direct control services that are a consequence of the changes to our licence conditions made by the NSW Government to implement the EBM. This eligible pass through amount includes only incremental Capex and Opex incurred as a result of the EBM pass through event. These Capex and Opex amounts, and the year in which they have been incurred or are expected to be, are provided in Table 4 (Section 4.1).

We have calculated the proposed positive pass through amount as the increase in our required revenues over the 2024–29 regulatory control period arising from the introduction of the new licence conditions.

The annual pass-through amounts have been calculated using our post-tax revenue model (PTRM) and are presented in Table 5.

Table 5: Proposed positive pass through amount (\$ million, real 2024)

\$m; real 2024	FY25	FY26	FY27	FY28	FY29	Total
Incremental ARR (smoothed)*	\$0.0	\$0.0	\$0.0	\$10.8	\$6.2	\$16.9
Incremental ARR (unsmoothed)*	\$0.0	\$0.8	\$3.4	\$6.3	\$6.3	\$16.8

***Note:** Smoothed revenue spreads cost recovery to the years in which revenues can be recovered, and where possible spreads costs more evenly across the regulatory control period to avoid abrupt cost changes for customers. In this application, smoothing reflects that EBM costs are not able to be recovered prior to FY28.

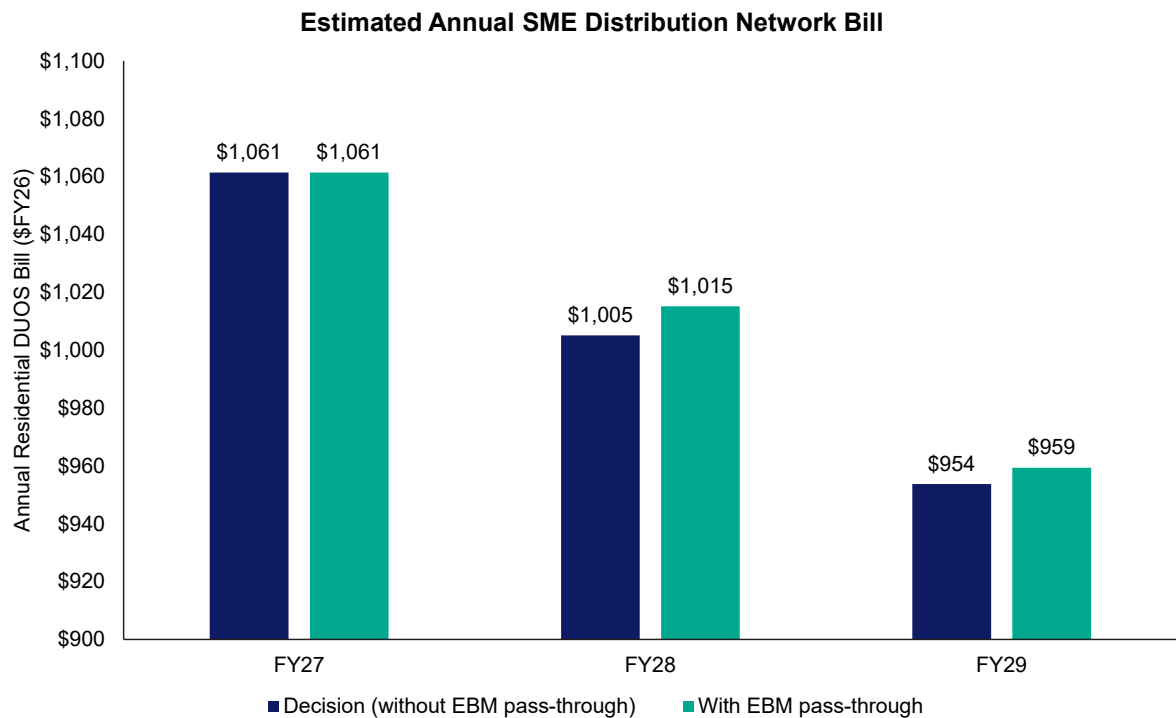
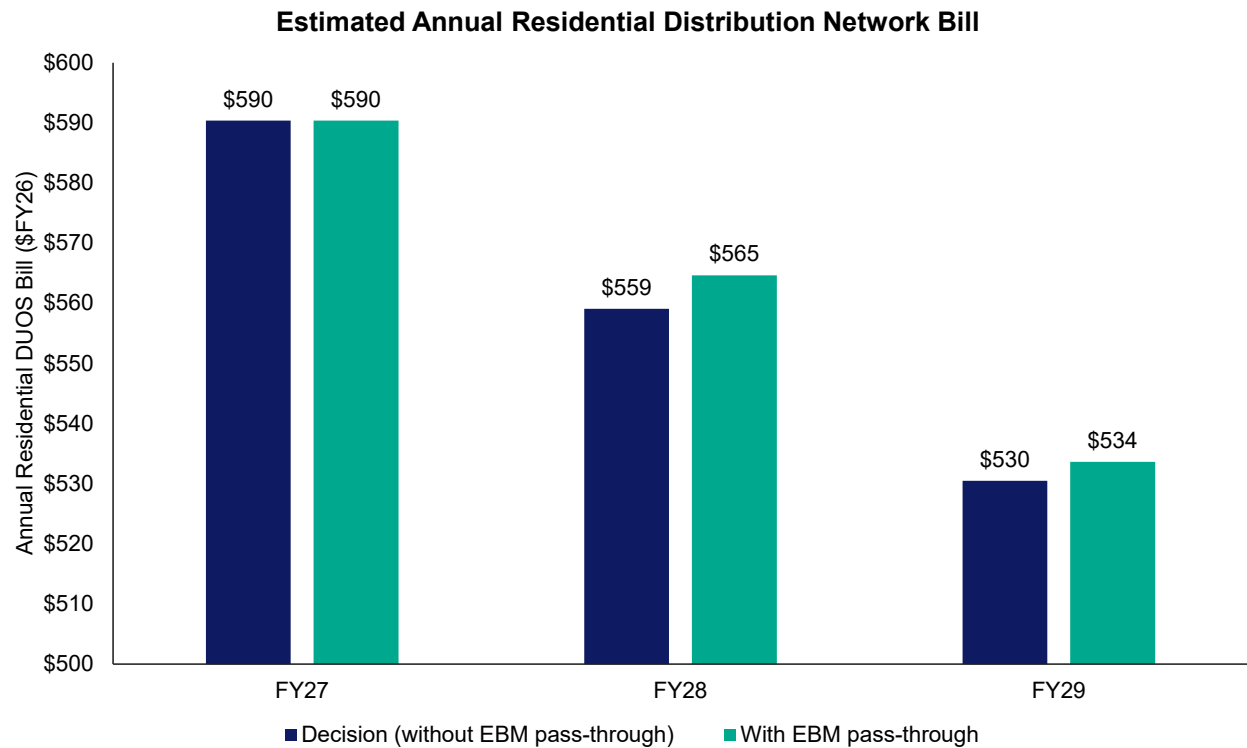
The PTRM used to calculate the proposed pass through amount is provided in **Attachment [9]**.

5.2 Incremental price impact

The revenue is proposed to be spread across the last two years of the regulatory period (FY28 and FY29). We estimate that this approach will increase Distribution Use of System (**DUOS**) charges for the average residential customer by approximately \$5.6 in FY28 and \$3.1 in FY29 (real, \$2026), and for the average small business customer by approximately \$10.0 in FY28 and \$5.6 in FY29 (real, \$2026).

The increase is reflected in Figure 3.

Figure 3: Indicative customer bill impacts (real, 2026)



Appendix A: Compliance checklist

Table 6 demonstrates how our application complies with the cost pass through provisions as set out in section 6.6.1 of the NER and cross-references the location of the relevant information.

Table 6: Compliance checklist

NER Clause	Requirement	Information provided	Section
6.6.1(a1)	Any of the following is a pass through event for a distribution determination: (1) a regulatory change event; (2) a service standard event; (3) a tax change event; (4) a retailer insolvency event; and (5) any other event specified in a distribution determination as a pass through event for the determination.	This application confirms that the changes to our licence conditions made by the NSW Government to implement the EBM is a 'service standard' event as specified in the NER.	Section 2.1
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 demonstrates the cost impact of our licence conditions will exceed 1 per cent of our ARR in FY26 and accordingly the event qualifies as a positive pass through event.	Section 2.3
6.6.1 (c)	A DNSP must submit a statement within 90 business days of the relevant positive change event occurring.	The positive change event occurred on 10 December 2025, and while the standard 90-business-day submission period would have concluded on 23 April 2026, the AER granted an extension to 30 June 2026 following a request from Endeavour Energy, and this application has been submitted in accordance with that approved timeframe.	Section 2.2
6.6.1(c)(1)	The statement must specify the details of the positive change event.	The changes to our licence conditions made by the NSW Government to implement the EBM and the requisite impacts Endeavour Energy needed to meet the new obligations is set out in this application.	Section 1.2; Section 2.1; Section 3
6.6.1(c)(2)	The statement must specify the date on which the positive change event occurred	The event occurred on 10 December 2025 which represents the date when the licence conditions were varied by the Minister.	Section 2.2
6.6.1(c)(3)	The statement must specify the eligible pass through amount (being the increase costs in the provision of direct control services) in respect of that positive change event	The application details the incremental cost impact to the end of the current regulatory control period of the changes to our licence conditions made by the NSW Government to implement the EBM which constitutes the eligible pass through amount. The resulting revenue adjustment for the pass through amount is also provided.	Section 4.; Section 5.
6.6.1(c)(4)	The statement must specify positive pass through amount proposed.	The application proposes a positive pass through amount being the total additional revenue we propose to recover for the remainder of the 2024-29 regulatory period.	Section 5.1
6.6.1(c)(5)	The statement must specify the amount proposed to be passed through in the regulatory year in which the event occurred and in subsequent regulatory years.	The application proposes amounts to be recovered across the last two years of the regulatory control period (FY28 and FY29).	Section 5.1
6.6.1(c)(6)(i)	The statement must include evidence of the actual and likely increase in costs.	We have set out the new obligations, our approach to meeting those obligations, costing those obligations, the resulting incremental costs and how we have minimised those costs and ensured they are only incremental costs. Evidence of actual and forecast costs is provided in our cost model and explained in this application.	Section 3 ; Section 4 ; Attachment 8
6.6.1(c)(6)(ii)	The statement must include evidence that costs occur solely as a consequence of the positive change event.		
6.6.1(c)(6)(iii)	The statement must include evidence in relation to a retailer insolvency event		
6.6.1(c)(7)	The statement must include evidence:	We have provided an updated version of the AER's PTRM.	Attachment 9

	of other information required under any relevant regulatory information instrument		
6.6.1(c1)	The statement must include evidence relating to the pass through amount including expenditure for a restricted asset.	Our application does not include any such expenditure.	Section 2.4

Appendix B: Confidentiality claim

Table 7 outlines the sections of this cost pass through application that Endeavour Energy considers to be commercial-in-confidence, along with the basis for each claim. These claims are consistent with the requirements of the AER's Confidentiality Guideline.

Table 7: Confidentiality claims

Document	Title, page and paragraph number	Description of the confidential information	Topic the confidential information relates to	Confidentiality category	Why the confidential information falls into the selected category	How and why detriment would be caused from disclosing the confidential information	Reasons supporting why the identified detriment is not outweighed by the public benefit
Attachment 1 – AEMO letter regarding urgent need to implement emergency backstop capability – August 2024 – Confidential	Entire document	Advice from AEMO on system security risks, minimum system load conditions, and emergency backstop capability requirements.	Power system security and emergency backstop implementation.	Information affecting the security of the network	Contains sensitive assessments of system conditions, thresholds and emergency response requirements to maintain network security.	Disclosure could expose system vulnerabilities and operational thresholds, increasing risks to safe and reliable network operation.	Limited public benefit from disclosure, while increasing potential risks to system security and reliability.
Attachment 8 – Cost build-up model – June 2026 – Confidential	Entire document	Detailed cost build-up, labour rates, vendor pricing contained in the spreadsheet.	Cost build-up and inputs for Emergency Backstop implementation.	Market sensitive information	This document contains underlying labour and vendor costs which, if published, could affect Endeavour Energy's ability to obtain competitive prices in future procurement processes.	Revealing unit rates for procuring products and services could set a floor in the market when procuring such services in the future. Disclosure could therefore harm Endeavour Energy's commercial interests and ultimately increase costs passed onto customers.	The proposed confidential information provides no public benefit and is likely to result in a detriment to customers if disclosed.

Table 8 outlines the proportion of each supporting attachment that is subject to confidentiality claims, primarily reflecting the redaction of signatures and personal information.

Table 8: Proportion of confidential material

Submission Title	Number of pages of submission that include information subject to a claim of confidentiality	Number of pages of submission that do not include information subject to a claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to a claim of confidentiality	Percentage of pages of submission that do not include information subject to a claim of confidentiality
Attachment 2 - AEMO letter confirming MSL response capabilities	2 pages	1 pages	3 pages	66%	34%

Attachment 3 – Ministerial notice of intent to vary licence conditions	2 pages	0 pages	2 pages	100%	0%
Attachment 4 – Licence conditions	1 page	34 pages	35 pages	2%	98%
Attachment 5 - Ministerial notice of variation of licence conditions	2 pages	0 pages	2 pages	100%	0%
Attachment 6 – Endeavour Energy Letter request for extension of cost pass through lodgement date	2 pages	0 pages	2 pages	100%	0%
Attachment 7 – AER cost pass through lodgement date extension	2 pages	0 pages	2 pages	100%	0%

Appendix C: Document list

Endeavour Energy – Attachment 1 – AEMO letter regarding urgent need to implement emergency backstop capability – August 2024 – Confidential

Endeavour Energy – Attachment 2 – AEMO letter confirming MSL response capabilities – January 2026 – Public

Endeavour Energy – Attachment 3 – Ministerial notice of intent to vary licence conditions – December 2024 – Public

Endeavour Energy – Attachment 4 – Licence conditions – June 2026 – Public

Endeavour Energy – Attachment 5 – Ministerial notice of variation of licence conditions – December 2025 – Public

Endeavour Energy – Attachment 6 – Endeavour Energy Letter request for extension of cost pass through lodgement date – February 2026 – Public

Endeavour Energy – Attachment 7 – AER cost pass through lodgement date extension confirmation – March 2026 – Public

Endeavour Energy – Attachment 8 – Cost build-up model – June 2026 – Confidential

Endeavour Energy – Attachment 9 – EBM PTRM – June 2026 – Public

