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29 September 2026

Robert Ball
Manager, Regulation (Electricity Distribution)
AusNet Services
Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006

By email: [REDACTED]

Dear Rob,

Re: AER determination – AusNet Distribution January 2026 bushfires cost pass through application

I am writing to advise you of the Australian Energy Regulator's (AER) assessment of AusNet Services' cost pass through application, submitted on 18 May 2026, in relation to the January 2026 bushfires, which commenced in Victoria on 7 January 2026.

In accordance with clause 6.6.1 of the National Electricity Rules (NER), the AER has determined that a positive change event has occurred, and that AusNet may recover incremental revenue of \$4.6 million (nominal, smoothed) from network users over the remaining 4 years of the 2026–31 period. This amount is \$11.5 million lower than AusNet's initial proposal of \$16.1 million, primarily due to the AER's approach to account for incremental capital expenditure and operating expenditure using the 2021–26 Post Tax Revenue Model (PTRM), rather than reopening the roll forward model and depreciation tracking module as proposed by AusNet. The amount also reflects the exclusion of \$1.3 million in Guaranteed Service Level (GSL) payments where a direct causal relationship with the bushfires was not established.

Details of the AER's assessment against the relevant factors in the NER are set out in the following attachments. If you have any queries in relation to this matter, please contact [REDACTED]

Yours sincerely

[REDACTED]

Ben Stonehouse
Acting General Manager
Network Expenditure

Sent by email on: 29.09.2026

Attachment A: Reasons for determination

1. Occurrence of a natural disaster pass through event

AusNet's 2021–26 revenue determination defines a natural disaster pass through event as follows:¹

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

- (a) a consequence of an act or omission that was necessary for the service provider to comply with a regulatory obligation or requirement or with an applicable regulatory instrument; or
- (b) not a consequence of any other act or omission of the service provider.”

We are satisfied that the January 2026 bushfires meet the definition of a natural disaster pass through event and were not a consequence of any act or omission of AusNet.

2. Positive change event

We are satisfied that the January 2026 bushfire event meets the definition of a "positive change event" under the NER, as AusNet has incurred materially² higher costs in providing direct control services as a result of the event, as demonstrated in **Table 1**.

Table 1: AER materiality assessment (\$ million, nominal)

Costs	2021–22	2022–23	2023–24	2024–25	2025–26	Total
Approved pass through opex	-	-	-	-	4.1	4.1
Approved pass through capex	-	-	-	-	37.7	37.7
Total costs	-	-	-	-	41.8	41.8
AER approved unsmoothed revenues	-	-	-	-	726.6	726.6
Materiality (%)	-	-	-	-	5.7%	5.7%

Source: AER, *AusNet Services Distribution PTRM - 2025-26 Return on debt update (inc storm and VEBM CPT)*, March 2025.

3. Timing of AusNet's application

The Walwa and Longwood bushfires commenced on 5 January and 7 January 2026 respectively, and continued until the fires were considered contained on or around 21 January 2026. The Victorian Government declared a state of disaster from 10 January to 8 February 2026.

In these circumstances, we consider it is appropriate to adopt the end date of when the final bushfire causing damage to AusNet's network ceased as the date of the event. This is because we consider a natural disaster event requires there to be a direct relationship between the natural disaster and the service provider incurring materially higher costs.

¹ [AER - Final decision - AusNet Services distribution determination 2021–26 - Attachment 15 - Pass through events - April 2021](#), pp. 17-18

² As defined in Chapter 10 of the NER (Glossary).

We note that the NER provide that AusNet must submit a pass through application within 90 business days of the event. Adopting the end date allows AusNet Services the full 90 business days to prepare its pass through application after the full extent of the event is known. This also allows AusNet to focus on repairing its network, restoring supply to affected customers, and mitigating the impact of the bushfires during the period of the event, rather than diverting attention to its pass through application.

AusNet submitted its pass through application on 18 May 2026, which was within 90 business days of the event occurring.

4. Assessment of the pass through amounts

In assessing AusNet's pass through application, the NER requires the AER to consider a number of factors³ to determine whether the proposed level of costs is prudent and efficient. We reviewed the cost estimates submitted by AusNet and the accompanying cost pass through documentation, including the cost build-up model and the updated post-tax revenue model (PTRM). We also sought additional information, which AusNet provided.

Based on the information provided by AusNet and our review of the cost estimates, our assessment found that:

- with the exception of the Guaranteed Service Level payments discussed below, the proposed pass through amount reflects only the incremental costs incurred as a consequence of the bushfire event, and not business-as-usual costs, or costs associated with increasing the scope of network services.
- AusNet's decisions and actions in responding to the bushfire event were likely to be efficient, and the scope of works undertaken appears reasonable in the circumstances.
- AusNet had not taken any action which had increased the magnitude of the pass through amount, or failed to take action that could reasonably have been taken to reduce the magnitude of the pass through amount.

Emergency response, restoration and other costs

We reviewed AusNet's supporting evidence, including cost build-up model, contractor invoices, work-order records, non-labour costs and the independent review undertaken by EY. AusNet used dedicated incident cost codes, activity-based timesheets and contractor job classifications to identify and isolate costs associated with the event. Most costs were incurred in emergency response, restoration and vegetation management activities required to return the network to its pre-event condition. AusNet used existing contractors with established familiarity with the network, which we consider was consistent with minimising the magnitude of the eligible pass through amount.

AusNet subsequently advised that approximately \$2.2 million in contractor costs had been inadvertently omitted from its initial application, and provided supporting evidence. We reviewed this additional information on the same basis as AusNet's original application. We also identified an error in AusNet's claim for Whispir SMS communication costs, which AusNet corrected, reducing the claimed amount by \$26,829. We have taken this updated information into account in making this determination.

³ Cl. 6.6.1(j) of the NER.

Internal labour costs

We sought clarification regarding AusNet's inclusion of normal-time field labour costs. Internal normal-time labour costs are ordinarily recovered through the distribution determination and are not generally incremental unless additional labour costs are incurred or business-as-usual work is deferred and must subsequently be recovered using equivalent resources.

AusNet advised that normal-time field labour was included where field staff were diverted from planned business-as-usual work that was deferred, rather than cancelled, and had to be completed at a later date using equivalent labour resources. The application included only time recorded by time-sheeting field staff against bushfire response, restoration and recovery activities. Employees who did not time-sheet were excluded. For office-based staff, AusNet claimed overtime only because ordinary office work could be reprioritised without requiring an equivalent program to be recovered later.

We are satisfied that this treatment appropriately identifies incremental labour costs arising from the event and is consistent with the approach accepted in previous AER cost pass through assessments.

Guaranteed Service Level (GSL) payments

AusNet initially included approximately \$2.0 million of Guaranteed Service Level (GSL) payments made to customers on days classified as a Major Event Day (MED) between 7 and 10 January 2026. The AER considers that a MED classification, which reflects unusually high network-wide outage levels on a given day, does not of itself establish that an individual customer's outage on that day was caused by the bushfire event, as MED-triggering outages may also arise from causes unrelated to the event.

Consistent with this position, our review identified that AusNet's initial claim had not been filtered by the location of the relevant customer or feeder relative to the bushfire-affected areas. This included GSL payments associated with outages where a direct causal link to the bushfires had not been established.

AusNet agreed with our assessment and removed approximately \$1.3 million of GSL payments relating to outages on feeders where a direct causal link to the bushfire event could not be established. AusNet confirmed that the remaining approximately \$0.7 million relates to outages on six feeders directly impacted by the bushfires.

We are satisfied that the remaining GSL payments were incurred solely as a consequence of the event and may be included in the eligible pass through amount; the excluded GSL payments are not eligible for recovery through this cost pass through determination.

We note that the excluded GSL costs may be reflected in the historical GSL costs used to derive AusNet's 2031–36 GSL opex forecast. AusNet has also confirmed that the retained GSL costs recovered through this determination will be removed from the historical cost base used for that forecast, to avoid double recovery.

For future cost pass through applications, the AER reiterates that only GSL payments that can be demonstrated to be directly linked to the relevant pass through event are eligible for recovery under the NER.

5. Approved pass through amount

Our determination is to approve total incremental costs of \$41.8 million (nominal) in capital and operating expenditure as shown in **Table 2**.

Table 2: Incremental expenditure for the January 2026 bushfires (\$ million, 2025–26)

Costs	AusNet application	AER determination
Operating expenditure (\$)	5.4	4.1
Capital expenditure (\$)	35.3	37.7
Total costs (\$)	40.7	41.8

Note: Numbers may not add due to rounding.

The incremental revenue associated with these costs is detailed in **Table 3**.

Table 3: Incremental revenue for 2021–26 period resulting from the January 2026 bushfires (\$ million, nominal)

\$ million (nominal)	2021–22	2022–23	2023–24	2024–25	2025–26	Total
Return on capital	-	-	-	-	-	-
Return of capital (regulatory depreciation)	-	-	-	-	-	-
Operating expenditure	-	-	-	-	4.0	4.0
Revenue adjustments	-	-	-	-	-	-
Net tax allowance	-	-	-	-	-	-
Incremental annual revenue requirement (unsmoothed)	-	-	-	-	4.0	4.0
Incremental annual expected revenue (smoothed)	-	-	-	-	4.0	4.0

Note: The opex amount has been escalated to nominal dollars in the PTRM using expected inflation.

The updated 2021–26 PTRM provides for the opex increment in full. We note the capex increment would be accounted for in the true-up mechanism used to calculate the difference between estimated and actual capex for 2025–26, as part of rolling forward the RAB to establish the opening value at the commencement of the 2031–36 determination.

The incremental revenue associated with expenditures incurred in the 2021–26 period is unable to be recovered within that period, as the period has already concluded. As such, the revenue will need to be recovered in the current 2026–31 period.

We also need to account for the changes to tax losses carried forward to reflect the capex increment⁴ from this cost pass through. Further, we accept AusNet's proposal to reduce the expenditure forecasts contained in the 2026–31 PTRM as a result of the cost pass through. Therefore, we have adopted a modelling approach where the aggregate recovery of previous period revenue increment and expenditure input updates for the 2026–31 period can be made via a single X factor adjustment.

Clause 6.4.3(b)(6) of the NER provides for revenue increments or decrements that are to be carried forward to the current regulatory control period as a result of the application of a control mechanism in the previous regulatory control period. We have therefore included the incremental revenue for 2025–26 as a revenue adjustment in the 2026–31 PTRM (adjusted for the time value of money), recovering the revenue through the 2027–28 X factor as it is the next available year for annual pricing.

⁴ As the capex increment is fully immediately expensed, it increases the tax loss carried forward in 2025–26.

The approved pass through amount is detailed in **Table 4**.

Table 4: AER-approved incremental revenue resulting from the January 2026 bushfires (\$ million, nominal)

\$ million (nominal)	2026–27	2027–28	2028–29	2029–30	2030–31	Total
Return on capital	-	-0.01	-0.01	-0.02	-0.02	-0.05
Return of capital (regulatory depreciation)	-	0.00	0.00	0.00	0.00	0.00
Operating expenditure	-0.11	-0.11	-0.00	-0.00	-0.00	-0.22
Revenue adjustments	4.20 ^a	-	-	-	-	4.20
Net tax allowance	-	-	-	-	-	-
Incremental annual revenue requirement (unsmoothed)	4.09	-0.12	-0.01	-0.01	-0.02	3.93
Incremental annual expected revenue (smoothed)	-	1.08	1.13	1.18	1.22	4.61

Note: Numbers may not add due to rounding. The building block figures above reflect the AER's current approved revenue.

(a) The revenue adjustment for 2026–27 is equal to the \$4.0 million revenue increment in 2025–26 as a result of this cost pass through, adjusted for the time value of money.

6. Timing of cost pass through recovery

AusNet proposed to recover the incremental revenue arising from its cost pass through application in 2027–28. We consider it preferable to apply our standard approach where the incremental revenue is smoothed and recovered over the remaining years of the 2026–31 period.

Our determination therefore approves a positive pass through amount of \$4.6 million, to be recovered over 2027–31.

This is estimated to result in an incremental increase of approximately \$1 to the annual bill for residential customers and \$2 for small business customers over each year in 2027–31.

7. Submissions

We received one submission⁵ on AusNet's cost pass through application, from Deakin University's Centre for Smart Power and Energy Research (CSPER). The submission did not oppose AusNet's recovery of efficient, prudent and genuinely incremental bushfire-related expenditure, and did not identify any specific concern with AusNet's cost claim, evidentiary basis, or the amount proposed for recovery in this application.

The submission recommended the AER strengthen confidence in its decisions by making clearer the links between event causality, expenditure boundaries, evidence quality, consumer value, resilience outcomes and future regulatory learning, and proposed a Resilience Decision Assurance Framework to this end.

We consider the broader resilience, consumer value and regulatory assurance matters raised in the submission fall outside the scope of this cost pass through application, which is

⁵ [CSPER - Submission to AusNet Cost Pass Through Bushfire - June 2026 | Australian Energy Regulator](#)

assessed against the specific eligibility, materiality, incrementality and efficiency criteria in the NER. We consider our assessment of this application has sought to rigorously apply the event and expenditure assurance dimensions of the framework proposed. We acknowledge, however, that rigorous and transparent decisions depend on high quality information from businesses, and are pursuing further improvements to evidence assurance through our work developing guidance for network service providers on the AER's expectations for high quality cost pass through applications.

Attachment B: Determining whether a positive change event has occurred

#	Requirement of the NER	Our consideration
1.	Is the pass through event a regulatory change event, service standard event, tax change event, or retailer insolvency event? ⁶	No.
2.	Does the pass through relate to any other event specified in AusNet's 2021–26 distribution determination as a pass through event for that determination?	Yes. We consider that the January 2026 bushfire event is a natural disaster pass through event as specified in AusNet's 2021–26 distribution determination.
3.	Was the pass through event a consequence of acts or omissions of AusNet?	No. There is no evidence that AusNet's acts or omissions caused the bushfire event or materially contributed to the costs of the event.
4.	Did the pass through event entail AusNet incurring materially higher costs in providing direct control services than it would have incurred but for the event? ⁷	Yes. The additional costs incurred by AusNet as a result of the bushfire event were material. The cost of responding to the bushfire event in 2025–26 was \$41.8 million (nominal), or 5.7% of AusNet's approved \$726.6 million revenue for that year.
5.	What is the date on which the positive change event occurred? ⁸	The event occurred over a period of time from 7 January 2026, being the start date of the Australian Government Disaster Recovery Payment (AGDRP) activation period for the January 2026 bushfires (AGRN 1242), consistent with AusNet's application. ⁹ The relevant bushfires were considered contained on or around 21 January 2026.
6.	Did AusNet submit a written statement within 90 business days of the positive change event occurring? ¹⁰	Yes. AusNet submitted its application on 18 May 2026, within 90 business days of the event occurring.
7.	Did AusNet specify details of the positive change event, including the date on which the event occurred, in its written statement? ¹¹	Yes. AusNet's application (written statement) included details of the positive change event, including the date(s) on which the event occurred.
8.	Did AusNet specify in its written statement the eligible pass through amount, the proposed positive pass through amount, and the amounts proposed to be recovered from customers in each regulatory year? ¹²	Yes. AusNet identified incremental costs of \$40.7 million (nominal) and proposed a positive pass through amount of \$16.1 million (nominal) to be recovered from customers in 2027–28. AusNet subsequently updated its proposed incremental costs to \$43.1 million, reflecting \$2.2 million in emergency contractor costs inadvertently omitted from its initial application and a further \$0.2 million increase from updating forecast costs with actual costs.
9.	Did AusNet specify in its written statement evidence of the actual and likely increase in costs that occurred solely as a consequence of the positive change event? ¹³	Yes. AusNet's pass through application sets out the costs incurred as a result of the bushfire event, as well as how it calculated its proposed pass through amount.
10.	Is the pass through amount, in whole or in part, in respect of expenditure for a restricted asset? ¹⁴	No.

⁶ NER, cl. 6.6.1(a1)(1) through 6.6.1(a1)(4); and chapter 10.

⁷ That is, does it meet the definition of a "positive change event" as defined in chapter 10 of the Rules.

⁸ NER, cl. 6.6.1(c)(2).

⁹ [AGDRP, Victorian Bushfires \(commencing 7 January 2026\)](#)

¹⁰ NER, cl. 6.6.1(c).

¹¹ NER, cl. 6.6.1(c)(1) and 6.6.1(c)(2).

¹² NER, cl. 6.6.1(c)(3), 6.6.1(c)(4), and 6.6.1(c)(5).

¹³ NER, cl. 6.6.1(c)(6).

¹⁴ NER, cl. 6.6.1(c1) and (d2).

Attachment C: Relevant factors under cl. 6.6.1(j) of the NER

#	Requirement of the NER	Our consideration
1.	We must take into account the matters and proposals set out in AusNet's written statement. ¹⁵	This decision sets out how we have considered the matters and proposals in AusNet's pass through application (written statement).
2.	We must take into account the increase in costs in providing direct control services resulting from the pass through event. ¹⁶	We are satisfied that the expenses incurred by AusNet in providing direct control services in response to the January 2026 bushfire event were incremental to existing costs, with the exception of approximately \$1.3 million of GSL payments that were not directly linked to the event and \$26,829 in SMS communication costs that was erroneously included.
3.	We must take into account the efficiency of AusNet's decisions and actions in relation to the risk of the event. ¹⁷	We are satisfied the decisions and actions taken in responding to the event were efficient, and the scope of works undertaken was reasonable in the circumstances. There does not appear to be any action that AusNet has failed to take to reduce the magnitude of the costs, or that it took or omitted to take which has increased the magnitude of these costs.
4.	We must take into account the time cost of money. ¹⁸	We have had regard to the time cost of money in calculating the recovery of the pass through amount in 2027–28.
5.	We must take into account the need to ensure that the pass through amount reflects only costs incurred solely as a consequence of the bushfire event. ¹⁹	We are satisfied the costs included in our approved pass through amount were solely incurred due to the event. AusNet has taken a reasonable approach to identify bushfire-related costs and exclude non-incremental costs from its application.
6.	The AER will have regard to whether AusNet has insurance against the event, and whether it is the level of insurance that an efficient and prudent network operator would obtain? ²⁰	AusNet does not hold insurance for its poles and wires network assets against damage arising from natural disaster events. The premiums required to eliminate risks to poles and wires would result in higher customer charges inconsistent with efficient network operation. We are satisfied it was prudent and efficient for AusNet to not obtain insurance for its poles and wires assets. This approach is generally consistent with comparable peer networks including those impacted by other natural disasters.
7.	We must take into account whether the costs of the event have already been factored into AusNet's annual revenue requirement for the current regulatory control period or will be factored into annual revenue for the next regulatory control period. ²¹	We do not consider that the costs AusNet is proposing to recover have been included in its annual revenue requirement for either the current or the next regulatory control period.
8.	We must take into account the extent to which AusNet's costs have already been funded by previous pass through determinations. ²²	We do not consider that any of the proposed costs have been the subject of a previous pass through determination.

¹⁵ NER, cl. 6.6.1(j)(1).

¹⁶ NER, cl. 6.6.1(j)(2).

¹⁷ NER, cl. 6.6.1(j)(3).

¹⁸ NER, cl. 6.6.1(j)(4).

¹⁹ NER, cl. 6.6.1(j)(5).

²⁰ [AER, Final decision - AusNet Services distribution determination 2021–26 Attachment 15 - Pass through events, April 2021](#)

²¹ NER, cl. 6.6.1(j)(7).

²² NER, cl. 6.6.1(j)(7A).