

Electricity Distribution Price Review 2026–31

Appendix: Related Party transactions

Friday, 31 January 2025

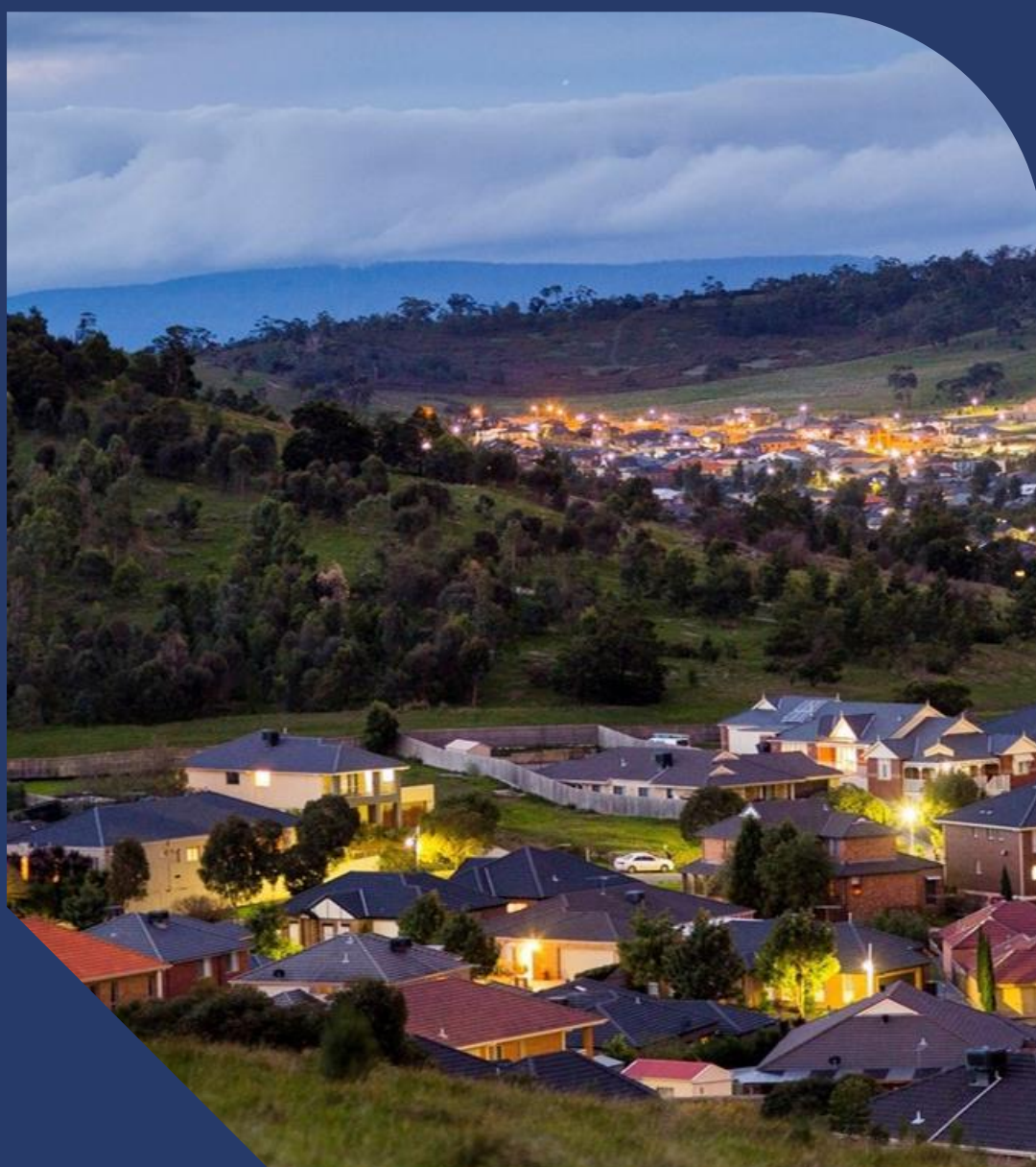


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1. Overview

AusNet Electricity Services Pty Ltd ABN 91 064 651 118 (**AusNet**) is required to submit to the Australian Energy Regulator (**AER**) a regulatory proposal for its distribution business for the upcoming regulatory control period.

The Regulatory Information Notice (**RIN**) issued to AusNet requires that a DNSP's proposal must contain specified information about 'related parties' (see paragraph 4.15 of the RIN).

This document summarises the related party arrangements that are currently in place or expected to be in place during the forthcoming 2026-31 regulatory control period.

2. Related party entities

The related parties that contribute to AusNet providing distribution services include:

- **Mondo Power Pty Ltd**
- **AusNet Transmission Group Pty Ltd**
- **AusNet Services Insurance Limited**
- **AusNet Services Holdings Pty Ltd**

Further details about the nature of the services provided by these entities are set out below under section 4.

Entities that have the capacity to determine the outcome of decisions about AusNet's financial and operating policies include:

- **Brookfield**

In February 2022, AusNet Group was delisted from the Australian Securities Exchange, and acquired via a scheme of arrangement by a consortium of investors comprising, a syndicate of institutional investors led by Brookfield, together with other investors including Australian Retirement Trust, Alberta Investment Management Corporation, Investment Management Corporation of Ontario, Healthcare of Ontario Pension Plan and the Public Sector Pension Investment Board.

The Brookfield syndicate comprises Brookfield Super-Core Infrastructure Partners and Brookfield managed co-investors, being a syndicate of other institutional investors, whose investment is managed by Brookfield or an affiliate of Brookfield and who do not have governance rights or influence in respect of investment and management decisions.

- **Australian-incorporated entities**

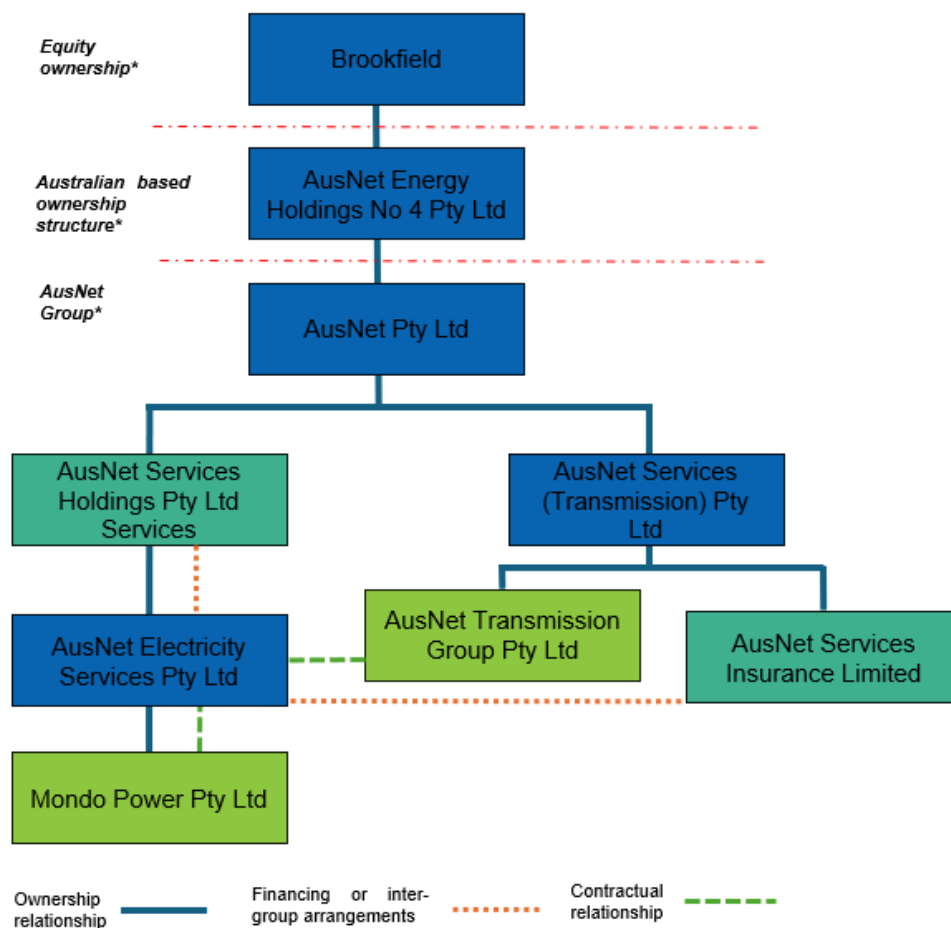
The Australian-based ownership structure of AusNet Group comprises Australian special purpose proprietary limited companies incorporated for the purpose of holding shares in their relevant subsidiaries. In summary:

- AusNet Services Holdings Pty Ltd is the immediate parent company of AusNet, the licensed entity providing distribution services and which is wholly owned by AusNet Pty Ltd including all other subsidiaries of the AusNet Group; and
- AusNet Energy Holdings No 4 Pty Ltd is the entity that, via the Brookfield acquisition, acquired 100% shares in AusNet Pty Ltd, being the ultimate parent company of the AusNet Group.

3. Diagram of organisational structure

Figure 1 below is a simplified representation of the ownership structure, as well as contractual and other relevant arrangements between AusNet and its related parties.

Figure 1 - Overview of key arrangements and contracts between related parties.



*Note: Not all entities are represented for the purposes of responding to the RIN notice relating to equity owners, the special purpose pty ltd entities comprising the Australian-based ownership structure and the entities within the AusNet Group.

4. Related party contracts / arrangements and services

The contracts and arrangements in place and expected to be in place during the forthcoming regulatory period and which relate directly or indirectly to the provision of distribution services, and the associated services of each contract / arrangement are set out in the table below.

Contracts or arrangements	Related party	Service(s)
a) Master Procurement Agreement – metering	Mondo Power Pty Ltd	Provision of meter related services including meter data validation services, interval usage calculation and street lighting inventory services and CT meter installations.
b) Master Procurement Agreement – testing	AusNet Transmission Group Pty Ltd	Provision of testing related services including HV asset testing, chemical testing services, calibration and protection testing.
c) SAP Trial Agreement	Mondo Power Pty Ltd	Provision of stand-alone power systems (SAPs) for conduct of a trial into the use of SAPs for high cost-to-serve customers or customers located in poor reliability areas with AusNet's distribution area.
d) Network Support Agreement	Mondo Power Pty Ltd	Provision of network support services via Phillip Island Community Energy Storage System to provide network support during peak periods.
e) Land acquisition for zone substation	CIC	CIC
f) Connection Services Agreement	AusNet Transmission Group Pty Ltd	AusNet Transmission Group Pty Ltd, who is regulated network service provider under Ch 6A of the NER, provides prescribed connection services to AusNet with respect to connection points between the two networks.
g) Group financing arrangements	AusNet Services Holdings Pty Ltd	Sourcing third party funding on behalf of the AusNet Group entities.
h) Self-insurance arrangements	CIC	CIC

5. Details relating to contracts / arrangements

5.1. Master Procurement Agreements – Metering services

5.1.1. Summary of procurement process

In 2018, AusNet entered into a Master Procurement Agreement with Mondo Power under which AusNet procures relevant metering services. The arrangement remains in place until 2028. There was no formal procurement process because the MPA formalised legacy arrangements relating to shared services already in place. In particular, the MPA was established to recognise the provision of internal resources within the AusNet Group delivering the metering services to AusNet, better enabling AusNet to report the associated costs in its regulatory accounts.

5.1.2. Supporting documentation

We have provided relevant contractual document relating to the MPA and its recent variation.

5.1.3. Additional details

(i) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	As noted above, the establishing of the MPA was to provide transparency in respect of the cost allocation of those internal resources which were being utilised to deliver metering-related services, and which had already been in place for several years.
(ii) whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	Stand-alone contract.
(iii) whether the services were procured on a genuinely competitive basis and if not, why not; and	A tender was not run to procure these services. Obtaining these services from a third party rather than providing them in-house is consistent with the operating model that has been in place within the AusNet Group for several years.
(iv) whether the service (or any component thereof) was further outsourced to another provider by the related party.	Yes, some of the services under the MPA are outsourced to subcontractors.

5.2. Master Procurement Agreements – Testing services

5.2.1. Summary of procurement process

In 2018, AusNet entered into a Master Procurement Agreement with AusNet Transmission under which AusNet procures relevant asset testing services, and these services remain on-going. There was no formal procurement process because the MPA formalised legacy arrangements relating to shared services already in place. In particular, the MPA was established to recognise the provision of internal resources within the AusNet Group delivering relevant asset testing services to AusNet, better enabling AusNet to report the associated costs in its regulatory accounts.

AusNet has provided relevant contractual documentation relating to the MPA.

5.2.2. Additional details

(i)	why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	As noted above, the establishing of the MPA was to provide transparency in respect of the cost allocation of those internal resources which were being utilised to deliver testing-related services, and which had been in place for several years.
(ii)	whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	Stand-alone contract.
(iii)	whether the services were procured on a genuinely competitive basis and if not, why not; and	A tender was not run to procure these services. Obtaining these services from a third party rather than providing them in-house is consistent with the operating model that has been in place within the AusNet Group for several years.
(iv)	whether the service (or any component thereof) was further outsourced to another provider by the related party.	Yes, some of the services under the MPA are outsourced to subcontractors.

5.3. SAP Trial Agreement

5.3.1. Summary of procurement process

AusNet conducted a competitive tender to engage a third-party to supply, install, own and maintain SAPS for the conduct of a trial into the use of SAPS for a selected number of high cost-to-serve customers or customers located in poor reliability areas with AusNet's distribution area.

AusNet has included supporting documentation including the procurement documentation and SAP Trial Agreement with Mondo.

5.3.2. Additional details

(i)	why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	At the time that the Trial Agreement was entered into AusNet was unable to own the SAPS as part of its distribution network because Victoria had not yet adopted the <i>National Electricity Amendment (Regulated stand-alone power systems) Rule 2022</i> . Therefore, it was decided that AusNet would procure
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		a third-party SAPS service provider to provide the relevant services on a trial basis.
(ii)	whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	A stand-alone contract.
(iii)	whether the services were procured on a genuinely competitive basis and if not, why not; and	Yes, a competitive tender for services was conducted.
(iv)	whether the service (or any component thereof) was further outsourced to another provider by the related party.	Yes. Mondo engaged with an OEM supplier to acquire the battery and inverter equipment, as well as a service provider to install the SAPS to customers of AusNet. From time to time, Mondo also engage local contractors to undertake any maintenance required for the SAPs.

5.4. Network Support Agreement

5.4.1. Summary of procurement process

AusNet conducted a competitive tender process to seek proposals for a non-network solution to provide up to 4.95 MW of network support in relation to the provision of electricity to customers located on Phillip Island. Mondo was the successful tenderer, involving a 5 MW/10MWH battery energy storage solution (**BESS**) to replace diesel generators previously used to provide back-up power to the region over the summer to support peak demand.

AusNet has included supporting documentation including the procurement documentation and Network Support Agreement with Mondo.

5.4.2. Additional details

(i)	why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	Contracting out a non-network solution for Phillip Island was considered a more cost-effective solution compared to incurring capital expenditure required to own and operate an asset exclusively for network support needs. By contracting out the services, AusNet leverages the BESS for network support while allowing the contractor to maximise the asset's value through market services or other uses.
(ii)	whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	A stand-alone contract.
(iii)	whether the services were procured on a genuinely competitive basis and if not, why not; and	Yes, a competitive tender for the network support services was conducted.
(iv)	whether the service (or any component thereof) was further outsourced to another provider by the related party.	Some services were outsourced including engaging an EPC provider for the BESS, as well as on-going services including the trading platform, operations and maintenance.

5.5. Land acquisition

5.5.1. Summary of procurement process

CIC

5.5.2. Additional details

(v) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	CIC
(vi) whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	CIC
(vii) whether the services were procured on a genuinely competitive basis and if not, why not; and	CIC
(viii) whether the service (or any component thereof) was further outsourced to another provider by the related party.	CIC

5.6. Transmission connection services

5.6.1. Summary of procurement process

Each of the DNSPs in Victoria, including AusNet, have long-standing connection agreements with AusNet Transmission Group Pty Ltd (AusNet Transmission), where AusNet Transmission provides prescribed connection services to DNSPs at each of the terminal stations where distribution networks connect to the transmission network of AusNet Transmission. The services are regulated under Chapter 6A of the NER.

AusNet has provided the legacy connection agreements between AusNet Transmission and AusNet, which were established between predecessor corporate entities.

5.6.2. Additional details

(i)	why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	DNSPs, including AusNet, enter into connection agreements with AusNet Transmission who owns and operates the high-voltage transmission network in Victoria to deliver distribution services to its customers.
(ii)	whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	Connection services are procured under a Connection services Agreements and from time to time, a Project Agreement and Supplemental Agreement to the Connection Services Agreement are entered into, which require AusNet Transmission to complete certain connection works to enable new or altered connections between the distribution and transmission networks.
(iii)	whether the services were procured on a genuinely competitive basis and if not, why not; and	The services provided by AusNet Transmission are regulated by the AER under Chapter 6A.
(iv)	whether the service (or any component thereof) was further outsourced to another provider by the related party.	AusNet Transmission may, from time to time, outsource works required to establish a new connection or alter an existing connection between its transmission network and any of the distribution networks in Victoria.

5.7. Group financing arrangements

5.7.1. Summary of procurement process

No explicit procurement process takes place, as the financing arrangements arise because of the AusNet Group structure, and the fact that financing is procured by a common funding vehicle, AusNet Services Holdings Pty Ltd, to raise finance at a group level, including for AusNet's distribution network assets.

5.7.2. Additional details

(i)	why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	Group financing arrangements are an integral part of how the AusNet Group is structured and managed. It is more efficient to procure financing at a group level (with a group level credit rating) than for each asset-owning entity to procure their own finance.
(ii)	whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	Funding arrangements are implemented by a common funding vehicle loan which passes external debt funding to entities within the AusNet Group.
(iii)	whether the services were procured on a genuinely competitive basis and if not, why not; and	The financing arrangements provided by AusNet Service Holdings Pty Ltd to AusNet and other group entities are not procured on a competitive basis because, by their nature, they are services which are internally provided to effect group funding arrangements. For completeness, the terms of any financing arrangement entered into by AusNet Services

	Holdings Pty Ltd with any third party financier for the benefit of the AusNet Group, are determined, supported by financial advice, taking into account all relevant considerations, including structure and terms of the financing, cost of capital, market conditions, availability and suitability of alternative funding, tax and legal implications.
(iv) whether the service (or any component thereof) was further outsourced to another provider by the related party.	No further outsourcing of the group financing arrangements occurs.

5.8. Insurance arrangements

5.8.1. Summary of procurement process

CIC




5.8.2. Additional details

(i) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AusNet Services itself;	CIC
(ii) whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar);	CIC
(iii) whether the services were procured on a genuinely competitive basis and if not, why not; and	CIC
(iv) whether the service (or any component thereof) was further outsourced to another provider by the related party.	CIC

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