

Powerlink
2027-32 Revenue Proposal

Revenue Proposal Reference Group Meeting

February 2025



Agenda

Item	Duration
Welcome and informal introductions	30 mins
1. Operating environment and context	15 mins
2. Engagement approach	30 mins
3. Framework and Approach paper update	15 mins
4. Capable of acceptance criteria	60 mins
5. Preliminary positions and initial forecasts	
a. Opex	30 mins
b. Capex	
c. Revenue	

Powerlink acknowledges the Traditional Owners and their custodianship of the lands and waters of Queensland and in particular the lands on which we operate.

We pay our respect to their Ancestors, Elders and knowledge holders and recognise their deep history and ongoing connection to Country.



Jacqui Bridge

Operating environment and context

February 2025



Operating environment and context

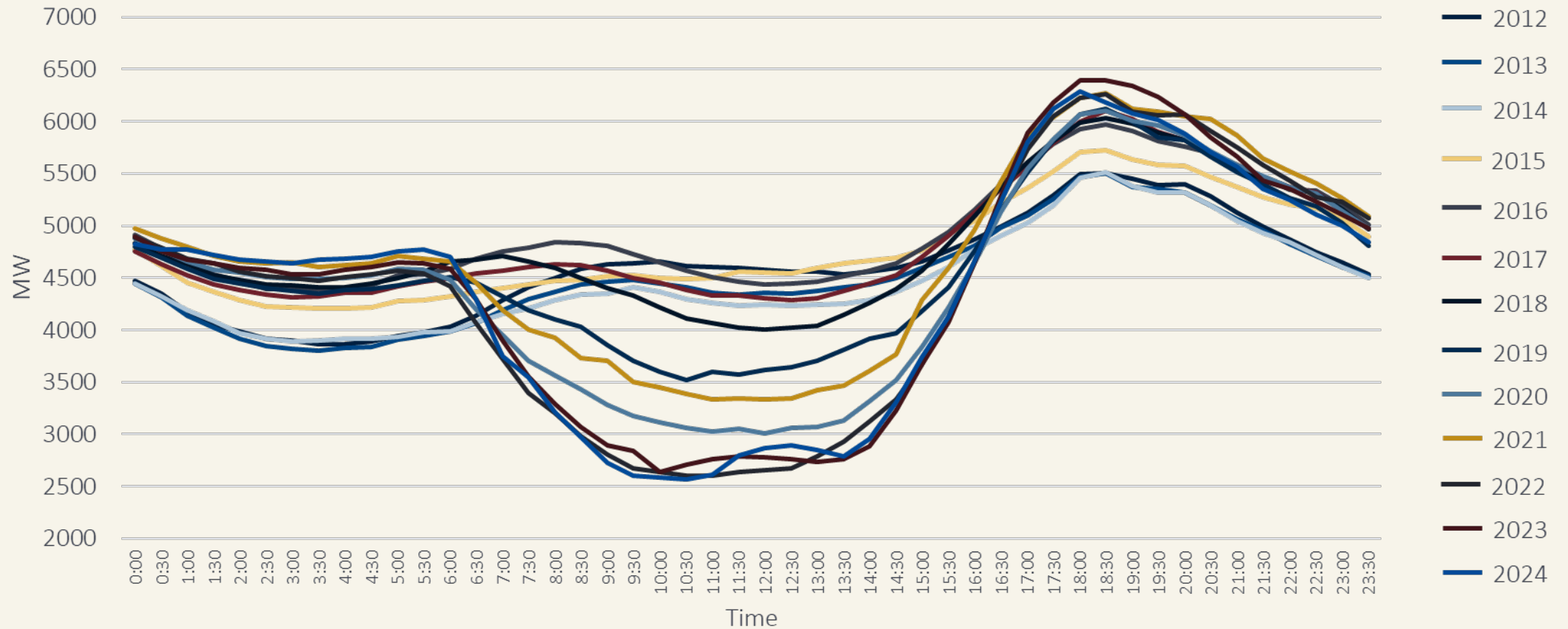
The operating environment has changed significantly since our last Revenue Proposal

- Global demand for materials and equipment driving up costs
- Localised demand for scarce labour resources driving up costs
- Increased grid connected renewables increasing operational complexity
- Increased adoption of rooftop solar increasing operational complexity
- Evolving energy policy at state and federal level.

Operating environment and context



September minimum demand - historical



Operating environment and context



Operating envelope[#]
2020: 6,184MW
2025: 7,914MW
+30%



Connected renewables & BESS
2020: 1.7GW (13 connections)
2025: 5.0GW (28 connections)
+190%



*Transmission cost estimates have increased approximately 30% in real terms over the past two years**



Equipment costs
275kV circuit breakers +81%
275kV transformers +113%
Demountable buildings +96%

Gerard Reilly

Engagement approach

February 2025



2. Engagement approach - recap

Engagement goal:

To deliver a Revenue Proposal that is capable of acceptance by our customers, the Australian Energy Regulator and Powerlink

Activities undertaken to date:

- Ongoing engagement with Customer Panel as BAU
- Revenue Determination 101
- Codesign engagement workshop
- Engagement Plan - codesigned engagement scope, mapped against IAP2 Spectrum
- Business Narrative
- Establish RPRG
- Engagement calendar for 2025.

2. Engagement approach – RPRG participation

A refresher on the Terms of Reference:

- Provide constructive input reflecting consumer interests and diverse stakeholder views
- Engage actively, offering feedback on the reasonableness of proposed positions
- Build understanding of Powerlink's operations to inform contributions
- Maintain confidentiality but proactively encourage broader panel participation
- Declare and address conflicts of interest to ensure integrity
- Attend meetings consistently; repeated absences may prompt review
- Support compliance with regulatory requirements
- Your role is to represent customer interests, not to be a reset expert—asking questions or seeking clarification benefits everyone and strengthens the process!

2. Engagement approach – expanding the reach

Opportunity to reach 5,000 households in this year's Queensland Household Energy Survey

Topics already covered in the Queensland Household Energy Survey:

- Electricity Sentiment: perceptions of affordability, reliability, value for money and cost/reliability trade off preferences
- Managing Bills: concerns about costs and strategies to manage expenses
- Energy Usage: consumption behaviours, usage reduction, and energy-saving awareness
- Solar and Batteries: ownership and intentions for rooftop solar and battery storage
- Electric Vehicles: adoption and consideration of EVs
- Energy Management: interest in technologies like HEMS and smart appliances
- Going Off-Grid: considerations for disconnecting from the electricity grid.

2. Engagement approach – brainstorm and discussion

Challenge

How to gain meaningful insights from Queensland households that will inform and add value to the revenue determination process

Potential areas to shape a question:

1. Asset resilience against changing climate
2. Social licence

Example question

How strongly do you support investment in improving the resilience of electricity infrastructure to cope with severe weather events?

What question(s) could we include in the Queensland Household Energy Survey?

Roger Smith

Framework and Approach paper update

February 2025



3. Framework and Approach paper update

The AER's Framework and Approach (F&A) paper sets out their approach to key elements of the revenue determination process

We wrote to the AER on 30 October – formally commencing the revenue determination process – requesting that they amend or replace their F&A paper for Powerlink's 2027-32 Revenue Proposal

Specifically, we requested changes in relation to:

- the Service Target Performance Incentive Scheme; and
- the incentive sharing schemes for capital and operating expenditure

We also advised the AER of our intention to develop and apply a hybrid approach to forecast our capital expenditure for our 2027-32 Revenue Proposal.

3. Framework and Approach paper update

Service Target Performance Incentive Scheme (STPIS)

We recognised that the AER is currently in the process of undertaking a review of the STPIS for electricity transmission, and that the outcome of the review will apply to Powerlink's next regulatory period

We noted that the outcomes of the review will have a direct impact on the level of preparation required for our Revenue Proposal, including in relation to engagement with our customers and other stakeholders

Incentive schemes

We identified the likelihood that we would overspend both our capital and operating and maintenance expenditure allowances for the current regulatory period due to factors such as supply chain challenges and inflationary pressures

We encouraged the AER to have regard to the circumstances for any material overspends in capital and/or operating expenditure and exercise its discretion on whether to apply a net negative carryover from one regulatory period to the next.

3. Framework and Approach paper update

The AER released a notice on whether to amend or replace Powerlink's current F&A on 6 November 2024

No submissions were received in respect to the F&A paper

Subsequently, the AER decided to replace Powerlink's F&A and issued a paper on 10 December 2024 detailing the reasons for their decision

The AER expects to publish a position paper on the F&A in March 2025, which will be open to public consultation

The final F&A paper must be published by 31 July 2025.

Roger Smith

Capable of acceptance criteria

February 2025



4. Capable of acceptance criteria – RP22-27

Feedback from our previous revenue determination process was that a clear understanding of the criteria for capable of acceptance was needed earlier in the process

Expectations around customer and stakeholder engagement have increased since our last proposal

The AER's Better Resets Handbook (July 2024) has the stated intention to:

Incentivise proposals that reflect consumer preferences and are capable of acceptance, including through:

- *establishing a Statement of Expectations for networks that aligns with the National Energy Objectives / National Gas Objectives*
- *enhanced consumer engagement*

4. Capable of acceptance criteria

Previously, we used a range of subjective and objective measures to self-assess the engagement undertaken, and we also sought direct feedback and comment from the Customer Panel and the AER

The operating environment has changed significantly since our last Revenue Proposal, as highlighted in our Business Narrative

Powerlink considers:

- The engagement criteria remain fit for purpose
- The 'proof point' criterion needs to reflect our current operating environment

4. Capable of acceptance criteria

Are the engagement criteria fit for purpose within the current operating environment?

How should we frame the proof point to align expectations with reasonable outcomes within the current operating environment?

Example...

Reasonable opex and capex allowances proposed, for example:

- expenditure forecasts are consistent with ...
- in line with, or lower than, the AER's top-down analysis of appropriate expenditure
- if not in line with top-down, can be explained through bottom-up category analysis.

4. Capable of acceptance criteria

For our 2022-27 Revenue Proposal, the Customer Panel identified that they were unable to comment on the proof point ahead of the AER assessing the expenditure forecasts for prudence and efficiency

Is there a need for the Customer Panel to assess the proof point for capable of acceptance?

Should we set out the expectations for each party at the commencement of the process?

Potential strawperson...

	Powerlink	AER	Customer Panel
Nature of engagement	✓	✓	✓
Breadth and depth	✓	✓	✓
Clearly evidenced impact	✓	✓	✓
Proof point	✓	✓	—

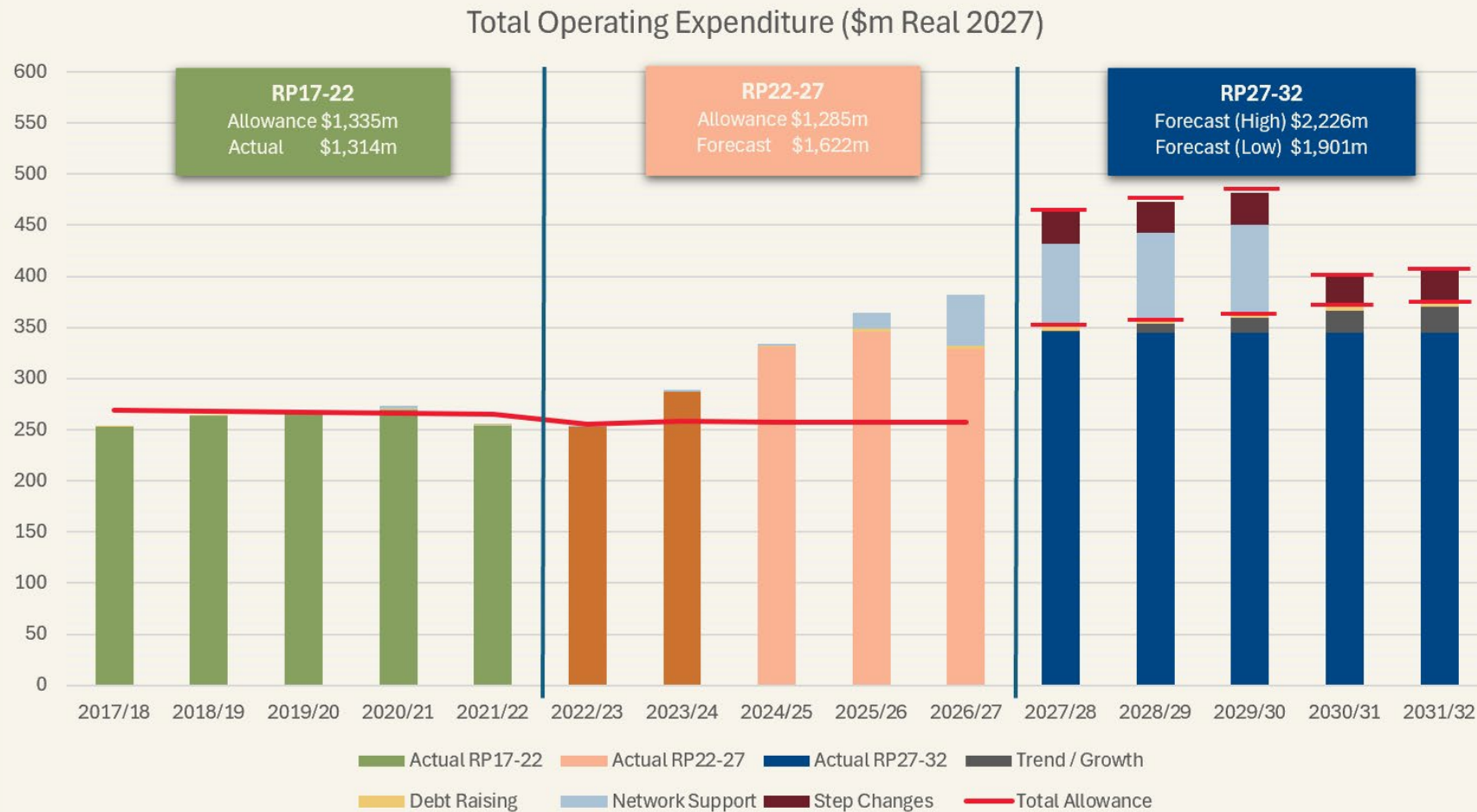
Michelle Beavis

Preliminary positions and initial forecasts - Opex

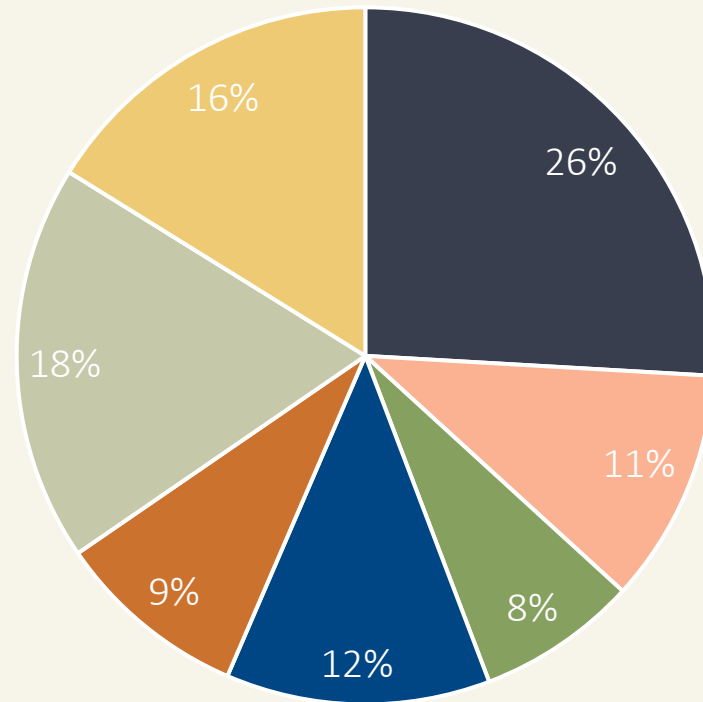
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5. Preliminary positions & initial forecasts – Opex



5. Preliminary positions & initial forecasts – Opex

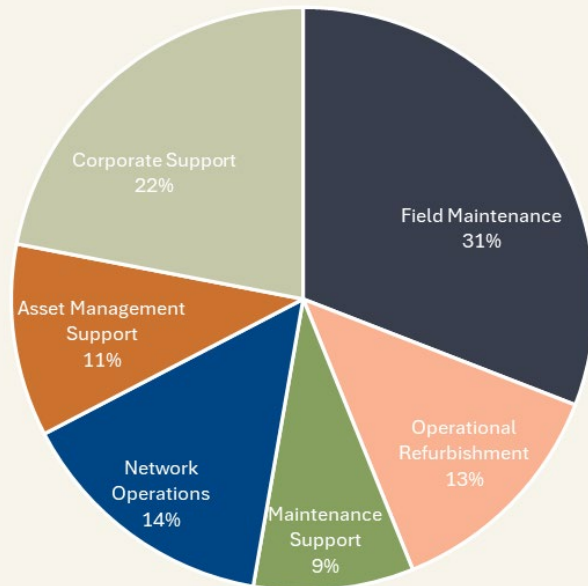


- Field Maintenance
- Operational Refurbishment
- Maintenance Support
- Network Operations
- Asset Management Support
- Corporate Support
- Total Non-Controllable Opex

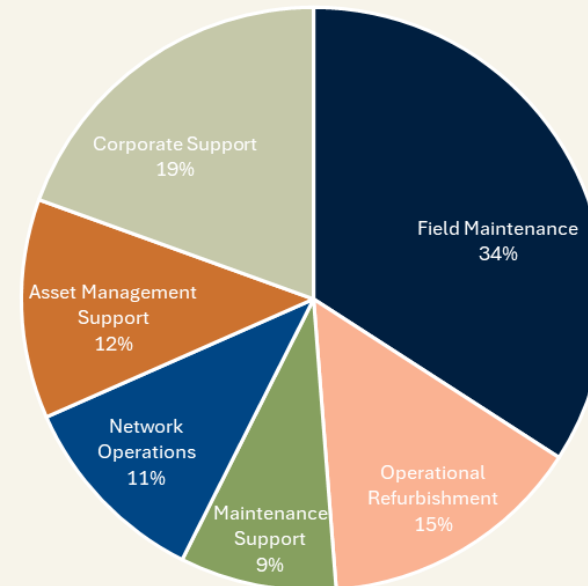
5. Preliminary positions & initial forecasts – Opex

Operating cost category as percentage of total controllable operating costs

RP27-32 Controllable Opex Forecast
\$1,866 million (\$real, 2027)



RP22-27 Controllable Opex Actual/Forecast
\$1,458 million (\$real, 2027)



New slide added in response to point 12a of the Notes of Meeting

5. Preliminary positions & initial forecasts – Opex

Topic	Key points
Current regulatory period (RP22-27)	<ul style="list-style-type: none">Opex is expected to exceed the current AER allowance by approx. \$330m
Forecast regulatory period (RP27-32)	<ul style="list-style-type: none">Base year FY2026 used for forecastOpex is forecast to be between 47% and 73% higher than the allowance for RP22-27Forecast range between \$1,901m (low) to \$2,226m (high)Step changes of ~\$31m annually have been included in the forecastForecast Network Support Agreement costs have increased by \$250m from RP22-27 allowanceField Maintenance and Corporate Support are now the main opex categories
Forecast trend	<ul style="list-style-type: none">Based on an annual rate calculation Output growth, 1.56% + price growth, 0.30% - productivity, 0.30% = average rate of change, 1.56%
Contribution to MAR	<ul style="list-style-type: none">Opex contributes approx. 40% to MAR within the period

5. Preliminary positions & initial forecasts – Opex

Step Change	Driver	Description
Security uplift	Regulatory obligation	Costs associated with meeting obligations under the Security of Critical Infrastructure Act 2018
Cloud based IT & OT solutions	Regulatory obligation	Costs associated with the implementation of cloud-based IT and OT solutions, being expensed in accordance with accounting standards
Network Complexity	Major external factors	Costs associated with operating an increasingly complex network

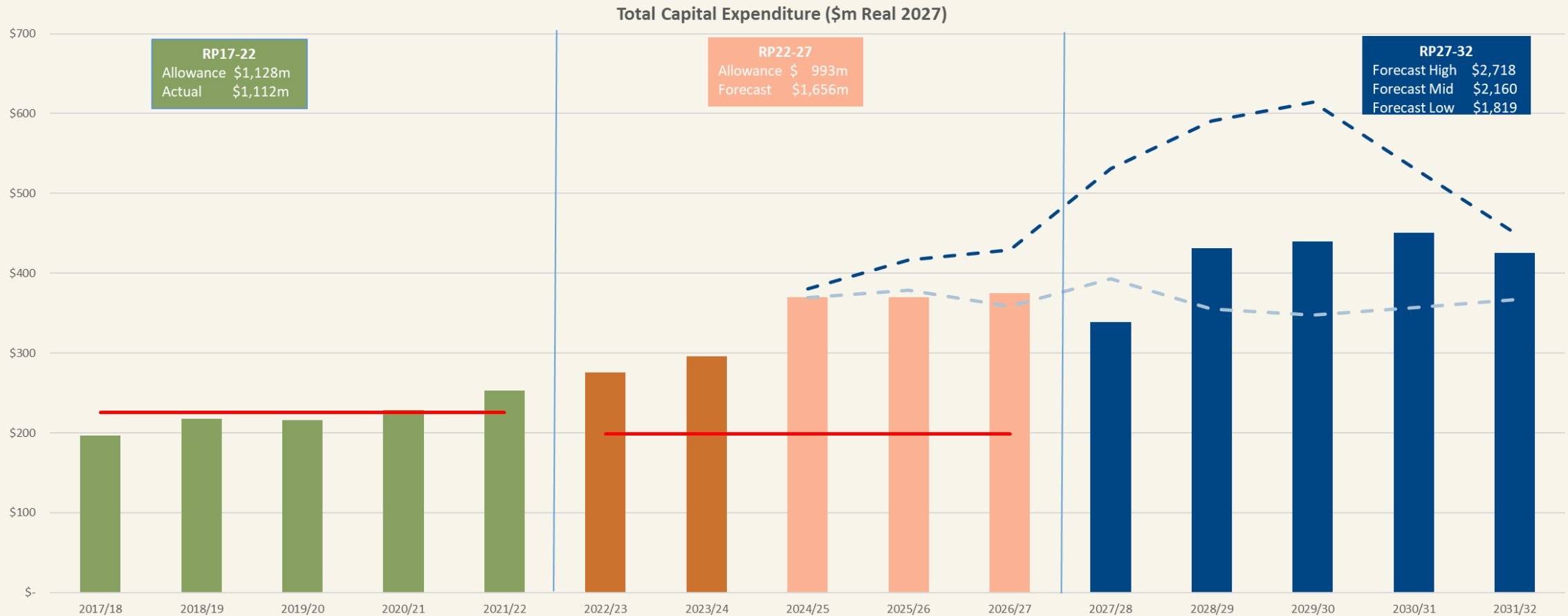
Aidan Lawlor

Preliminary positions and initial forecasts - Capex

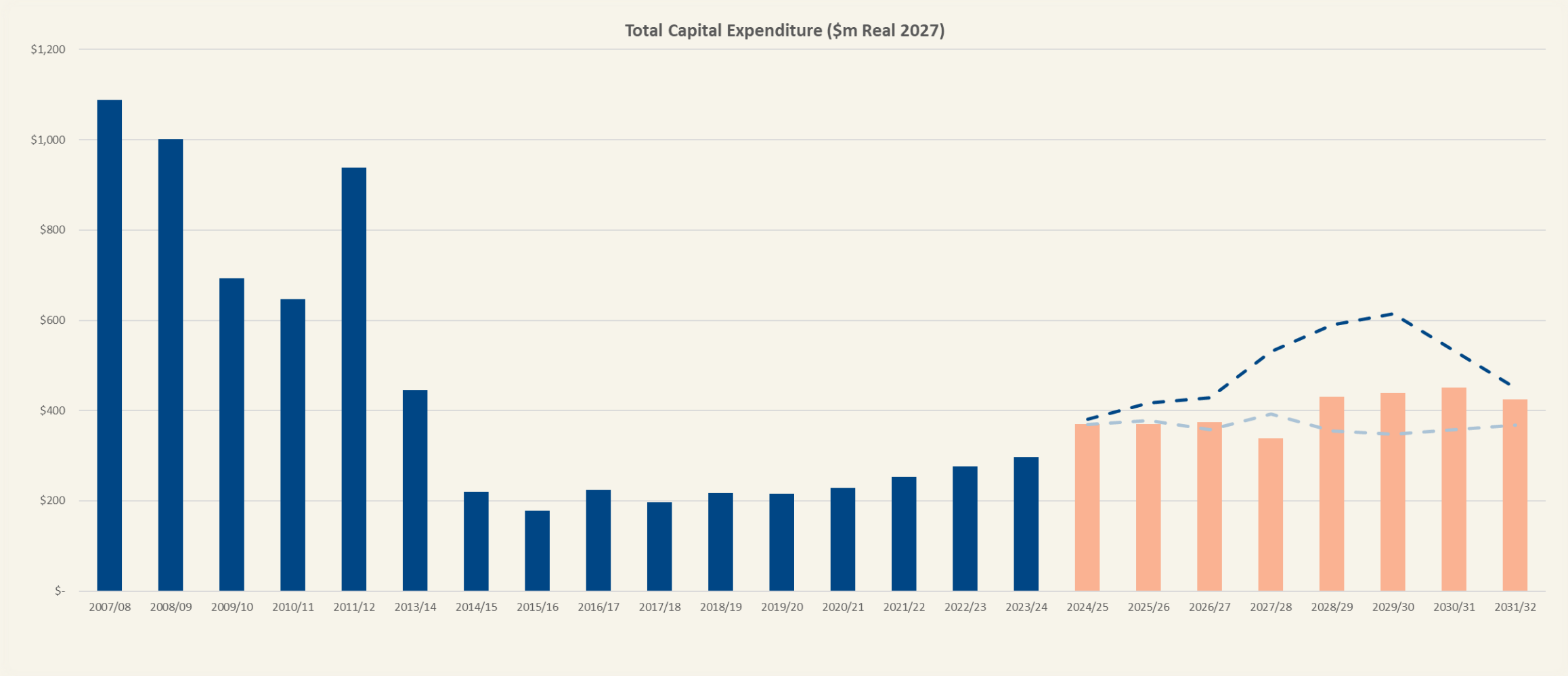
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5. Preliminary positions & initial forecasts – Capex



5. Preliminary positions & initial forecasts – Capex



5. Preliminary positions & initial forecasts – Capex

Topic	Key points
Current regulatory period (RP22-27)	<ul style="list-style-type: none">Capex is expected to exceed the current AER allowance by ~\$663m (67%)
Forecast regulatory period (RP27-32)	<ul style="list-style-type: none">Capex is forecast to be between 10% and 64% higher than the forecast for RP22-27Forecast range between \$1,819m (low) to \$2,718m (high)The medium forecast of \$2,160m provides the basis of the preliminary MAR forecast
Range of capex forecasts	<ul style="list-style-type: none">Range of forecasts provided to reflect current uncertainty in operating environment<ul style="list-style-type: none">Low forecast is based on trend over the last decadeMedium forecast is based on a modified top-down trend - calibrated with the 2024 Transmission Annual Planning Report (TAPR) investment outlookHigh forecast is based on a bottom-up approach - reflects prevailing costs in the market and includes programmes not included in other forecasts (e.g. reinvestment in prescribed connection assets, and capital works to address system strength obligations)All forecasts exclude ISP actionable projects (e.g. QNI Connect) and transformation projects (e.g. Gladstone Project)
Contribution to MAR	<ul style="list-style-type: none">Capex contributes approx. 6.5% to MAR within the period

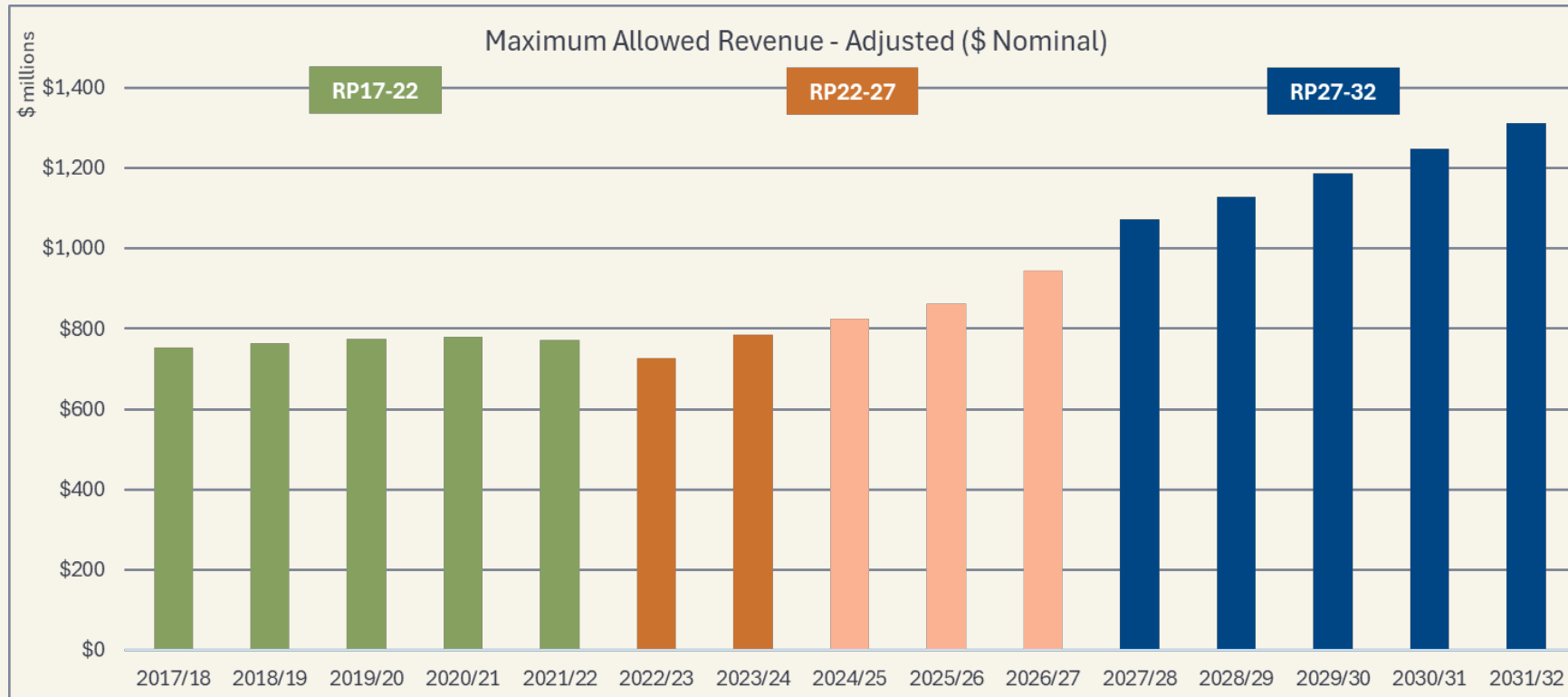
Nina Zhuang

Preliminary positions and initial forecasts - Revenue

February 2025

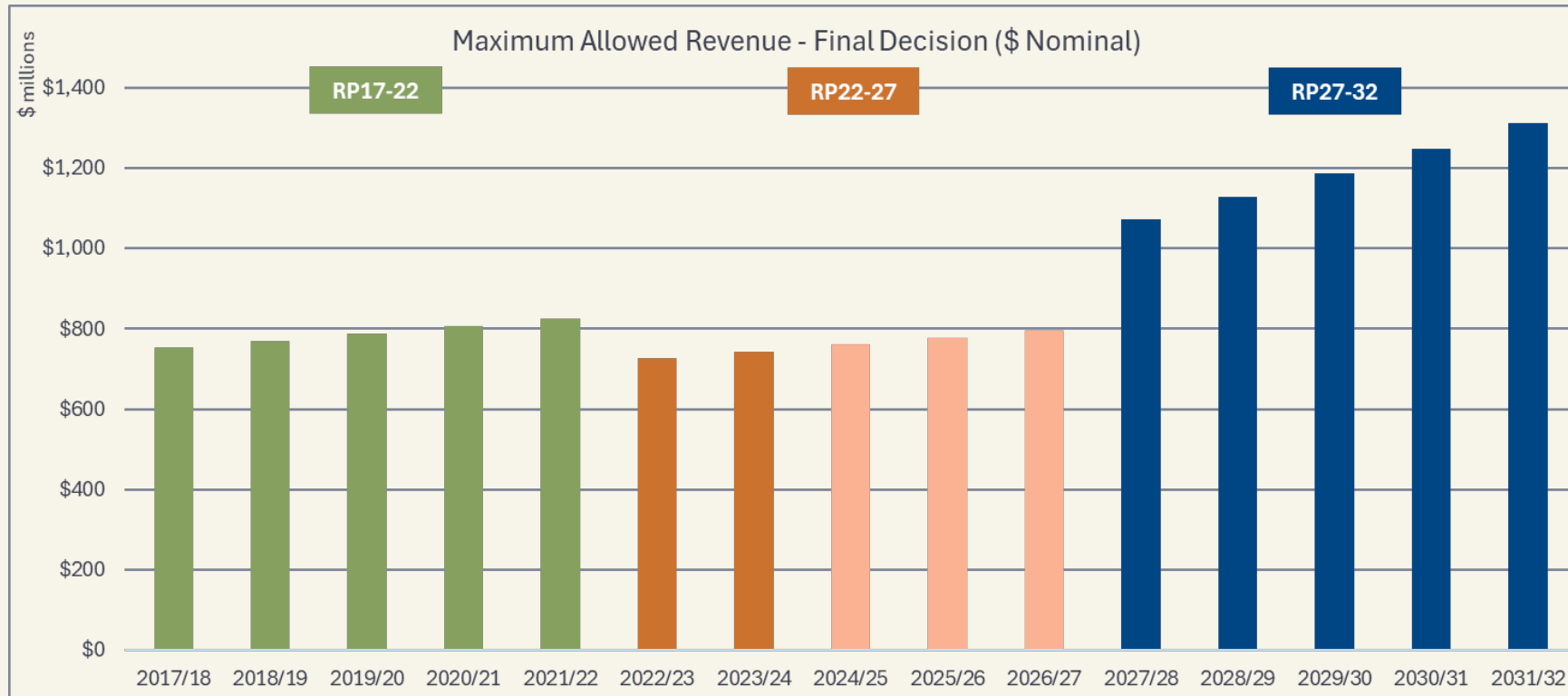


5. Preliminary positions & initial forecasts – Revenue



Total of \$5,948 million (net of adjustments from incentive schemes), approx. \$1,190 million per annum
Impact on average Queensland household bill of +\$13 over 5 years (approx. 2.4% increase per year)

5. Preliminary positions & initial forecasts – Revenue



Total of \$5,948 million (net of adjustments from incentive schemes), approx. \$1,190 million per annum
Impact on average Queensland household bill of +\$13 over 5 years (approx. 2.4% increase per year)

Next Meeting

Wednesday 19 March 2025

Preliminary Agenda:

1. Powerlink's TEEP, community benefits, offsets and social licence costs
– Dana Boxall, General Manager Community and Delivery Services
2. Capex forecasting methodology
– Aidan Lawlor, Capex Lead
3. Opex forecasting methodology
– Michelle Beavis, Opex Lead